

## 226. WEDDING PACKAGES: STANDARD OR EXEMPT?

In the recent case of *Blue Chip Hotels Limited v HMRC TC05078* there was a VAT victory for HMRC that could impact adversely on the price charged for weddings – and an unexpected VAT charge is not what you want for the most important day of your life.

The facts of the case were that the directors of the hotel rented out the Tamarisk Room for civil wedding ceremonies. The hotel treated the income from the room hire as exempt from VAT as a land supply (under Group 1, Sch 9, VAT Act 1994). However, other services linked to the wedding were provided in different rooms of the hotel and these were treated as standard-rated catering services in the light of the level of services.

HMRC argued that VAT should have been charged on the room at standard rate as it was part of the wedding package being supplied (Group 1, item 1(d)). The FTT agreed with HMRC that when the hirers received more than just the use of the Tamarisk Room, the hotel was making a single supply of a standard-rated wedding package and the hire of the room was subject to standard-rated VAT if part of the package.

However, as the hire of the room was the supply of land, HMRC accepted that when customers opted to hold only the wedding ceremony in the hotel and had no services supplied to them, the use of the Tamarisk Room was an exempt supply.

The logic of HMRC and the FTT was that customers buying a wedding package that included the Tamarisk Room would consider that they were receiving the package as a single supply.

The judge commented that: “What is being paid for here is the right to participate in a particular event (the wedding ceremony), only part of which entails the provision of the physical space in which that event occurs.”

The tribunal confirmed that the high price of the room hire indicated that more than a ‘passive activity’ of renting out land was taking place and therefore the supply was not exempt.

The case provides a timely reminder that everyone who supplies physical space and services must look at the facts. It is very important to see how the marketing is presented where the supply of land and services are combined and this is offered by the provider as a package. If the business does separate this package into separate VAT units, it must be supported by the facts and there must be evidence of consistency in both marketing and bookkeeping.

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