

## Scope of Works

### Understanding of the facts

- The Yorkshire Coast Business Improvement District was established to deliver additional projects and initiatives that will develop the Yorkshire Coast into a thriving tourist destination that people want to visit
- It is funded through a compulsory additional business rates tax charge (BID Levy) being imposed on local business ratepayers (“ratepayers”) within the BID area by the Council.
- The BID Levy is ringfenced and specifically for use towards Business Improvement District activities/expenditure.
- No VAT is accounted for by the Council on the BID levy income collected from ratepayers.
- BIDCo was incorporated to carry out the BID projects and initiatives.
- The Council collects the levy and agrees to pay this to BIDCo in order for BIDCo to carry out the projects and initiatives.
- The Council and BIDCo have formalised the levy collection process in an Operating Agreement (“the Operating Agreement”).
- The mechanism to transfer BID levy income from the Council to BIDCo, has been via an invoice which has been issued by BIDCo plus VAT at the standard rate (20%)
- The Council recovers VAT on the invoices it receives from BIDCo in full.
- Separately, we understand the Council issues a VAT invoice to BIDCo for the cost of collecting the BID Levy income. We understand VAT is charged by the Council at 20%.

We have been asked to provide an opinion as to whether: -

1. The VAT accounting is correct for the collecting of the levy and
2. The Council is correct to recover VAT on the services that it receives from BIDCo.