

Balhouses Holdings Ltd (Appellant) v Commissioners for Her Majesty's Revenue & Customs (Respondent) (Scotland)

Case ID: UKSC 2019/0103

Case summary

Issue

Did the sale and leaseback of a care home involve the disposal of the owner's entire interest, such that it effectively lost the benefit of zero-rating under paragraph 36(2) of Schedule 10 to the Value Added Tax Act 1994?

Facts

In March 2013, Balhouses Care Ltd acquired a care home at Deveron Way, Huntly, Aberdeenshire on a zero-rated basis for VAT purposes. In order to finance the acquisition and further developments, it entered into a sale-and-leaseback arrangement with Target Healthcare REIT. Pursuant to that arrangement, Balhouses Care conveyed the land to Target and Target immediately granted the land on a long lease back to Balhouses.

HMRC considered this involved the disposal of Balhouses Care's entire interest in the care home. It sought to impose a VAT self-supply charge on Balhouses Holdings Ltd (an entity which was part of the same VAT group) under paragraph 36(2) of Schedule 10 to the Value Added Tax Act 1994 and issued a penalty notice. Balhouses Holdings successfully appealed to the First-tier Tribunal but HMRC's approach was upheld by the Upper Tribunal and Inner House of the Court of Session.

Judgment appealed

[\[2019\] CSIH 7](#)

Parties

Appellant(s)

Balhouses Holdings Ltd

Respondent(s)

Commissioners for Her Majesty's Revenue & Customs (Scotland)

Appeal

Justices

Lord Hodge, Lord Briggs, Lady Arden, Lord Sales, Lord Carloway

Hearing start date

26 Jan 2021

Hearing finish date

27 Jan 2021

Watch hearing

26 Jan 2021 [Morning session](#) [Afternoon session](#)

27 Jan 2021 [Morning session](#)

Judgment details

Judgment date

31 March 2021

Neutral citation

[2021] UKSC 11