HM Revenue & Customs

**Wealthy/Mid-sized Business Compliance**
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**Date** 6 November 2026
**Your Ref** Contingency payments to solicitors

Dear Mr Miller

**Contingency payments to legal aid providers**

Thank you for your patience while we considered the points raised in your letter dated 20 November 2025. I apologise for the delay in replying.

HMRC has considered the information available and agrees with the analysis set out in your letter. On the facts presented, we consider that there is an insufficient direct link between the contingency payments and the work carried out by legal aid providers for those payments to be consideration for a supply.

It follows that for VAT purposes the contingency payments were not consideration for a supply and did not create tax points for legal aid providers' supplies.

HMRC also agrees that the time of supply rules detailed in VAT Notice 700/44 do not apply to supplies made by those acting as solicitors. I apologise that our email of 21 August 2025 referred to VAT Notice 700/44 without making clear that those rules apply only to supplies by barristers and advocates.

Legal aid providers that accounted for output tax at the wrong time may be able to correct the error in accordance with the normal VAT error-correction rules, including by submitting an error correction notification where appropriate. Providers should take care to identify the correct tax point for their supplies before making any correction.

The correct tax point for a supply will depend on the circumstances of each supply and the status of the provider. Providers should therefore consider the general VAT tax-point guidance and, where relevant, any easement that may apply, such as the extension for solicitors detailed in HMRC guidance VATTOS8550.

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Text Relay service prefix number – 18001

If any of your members require advice about their individual circumstances, they should seek advice from a suitably qualified tax adviser.

HMRC does not currently intend to publish an external notice on this matter. We do, however, intend to issue an internal communication so that relevant compliance staff are aware of HMRC's position.

This response reflects HMRC's view on the information made available to us. The correct VAT treatment in any individual case will depend on its particular facts and circumstances.

Yours sincerely

**Jacob Mathers**

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