



McCleary & Company Ltd.

Chartered Accountants & Registered Auditors

Value added tax

We take a look at developments with VAT since our last Active Practice Update on this topic.

After last year's controversies regarding VAT on such things as pasties, caravans, self-storage and listed buildings, this has been a fairly quiet year so far regarding VAT changes.

The 2013 Budget provided the usual announcements about the new registration and deregistration thresholds from 1 April 2013 (£79,000 and £77,000 respectively) and updated tables for private fuel used in company cars. Otherwise the changes were of a more technical nature.

Non-UK supplies

There are plans to extend the scope of zero-rating of exports to include supplies to businesses that are VAT-registered in the UK but who have no place of business here and who make supplies outside the EU. If you believe this applies to you, we can advise on developments with this legislation.

There are also changes planned for businesses that supply telecommunications, broadcasting and internet-based services to other states in the EU. The general law remains that

supplies are regarded as being made according to where your customer resides, but there is a new procedure for administering this. These changes come into effect in 2015.

If you are involved in making such supplies, we recommend that you let us review your arrangements to ensure that you meet all the requirements.



This follows other changes made in recent years in relation to supplies of services to businesses in other EU states.

From 13 April 2013, there is a new requirement to notify HM Revenue & Customs if you bring a new vehicle into the UK or need to register a vehicle previously brought in. This is to ensure that all taxes, including VAT, are paid as appropriate for such vehicles. Notification is given by online form.

If you import low-value goods from outside the EU, please take into account that the value limit was reduced from £40 to £36 from 1 January 2013.

There have also been some changes in relation to the import and export of investment gold.

Pensions advice

In 2013, a change in rules means that pension consultants must charge VAT at the standard rate when advising employers in the setting up or administering of personal pensions for employees. Such consultants can no longer receive commission-based remuneration.

The VAT treatment depends on the nature of the supply. A business that is charged such VAT will usually be able to treat such VAT as input tax, subject to the usual restrictions if the business is exempt or partially exempt.

Claiming refunds

HM Revenue & Customs is checking traders who routinely claim VAT refunds to make sure they are entitled to receive them. This is most likely to arise if you make mainly zero-rated supplies, such as books, food or children's clothing.





Be prompt with your VAT returns

HM Revenue & Customs is clamping down on late VAT returns. About 50,000 traders fail to make their returns on time. Such traders are liable for interest and surcharges in addition to the tax due.

In this new clampdown, late-paying traders will be assessed for an amount of VAT while the return is outstanding. HM Revenue & Customs intend to more closely monitor such traders.

If you are having problems paying your VAT, there is a scheme called Time To Pay which helps businesses through a difficult period without risking tax penalties. We can help if you believe you need this support. Please note that a Time To Pay request must be made before the tax is due.

You could be regarded as a late payer if you have ceased trading or have changed some detail of your business and not told HM Revenue & Customs. It could be worth letting us check to see that you have provided all the necessary details to HM Revenue & Customs.

Being asked for security

HM Revenue & Customs has the right to ask for security from certain traders as a condition of registering them for VAT. This right is used if HM Revenue & Customs believes that VAT could otherwise be at risk. It should be noted that it is a criminal offence to make taxable supplies if such a notice has been served and the security not yet paid. The penalty can be a £5,000 fine for each transaction.

If you have received such a notice, we may be able to advise how to reduce the amount of security (such as by making monthly returns rather than quarterly) and in ensuring that you comply and thus avoid penalties and possible criminal charges. We can also advise you on whether it is worth appealing against such a notice.

The security is normally held for 24 months (12 months if making monthly returns) and then returned to you if there have been no further VAT problems.

We can advise to ensure that you meet your VAT requirements so that any security is returned to you when due.



In some cases you may be asked for security as a condition of approving a VAT refund. If the security is not provided, HM Revenue & Customs may hold back the refund until it has finished checking that you are eligible to receive it.

Ticket booking fees

If you sell tickets, such as for exhibitions or other events, the booking fee may be exempt from VAT as a supply of a financial service. This follows a tribunal decision in a recent case brought by National Exhibition Centre Ltd.

Although the booking fee was said to cover various overheads such as postage, labour and IT maintenance charges, the reality was that the fee covered only the cost of card processing. The amount charged was more than the actual cost incurred.

The tribunal found that it did not matter that the booking fee was more than the costs incurred in card processing. It also did not matter that the transaction codes were received by the merchant handler rather than the exhibition organiser.

It should be noted that the exemption for financial services is an area where there have been many cases and other developments in recent years.

If you are involved in any of these areas, it may be advisable for us to check that you are charging the correct amount of VAT.



Hotel catering

Most hotels provide both accommodation and catering. For VAT purposes, both are standard-rated for VAT. This includes supplies by all forms of inn, boarding house, guest house and the like.

Where the catering in a hotel is provided by another business, it had been HM Revenue & Customs policy to allow the room to be exempt from VAT and only the catering to be subject to VAT.

This has now changed. In such circumstances, the supply of accommodation is subject to VAT regardless of whether the hotel provides the catering. If this applies to you, we can make sure that you comply with the new provisions in respect of both current and past supplies.

And some good news: a VAT reduction

Finally, it is worth noting that sometimes there are helpful VAT changes, such as when a rate of VAT is reduced for a particular supply. And this happened in 2013. From 1 April 2013, the VAT for travel by cable car is reduced from 20 per cent to five per cent.