

vat news

Early Winter 2009 – Issue 14

Welcome to the second of our now monthly newsletters. Although winter is only just starting we are thinking ahead to a number of VAT changes that will affect all our clients from the New Year onwards. We have highlighted these changes in this issue and also provided a selection of recent tribunal decisions from the new first Tier Tribunal. As always we are keen to hear from you if you are affected by any of the issues in this newsletter, or indeed have any VAT issues you would like to discuss. Don't forget that initial advice via our helpline service is free and we are always happy to hear from you.



Are you and your clients prepared for the VAT rate Change?

The VAT rate change last year came as an unexpected shock to many businesses as there was little warning in advance of the decrease in the VAT rate to 15%. The rate is expected to revert back to 17.5% from 1 January 2010. It is well worth considering in advance the implications that the rate change will have on your client's accounting systems and also for any contracts entered into now where the supply and/or payment will occur after 1 January 2010.

There are a number of rules to consider when accounting for supplies that span the rate change and for prepayments and deposits, plus of course the treatment of invoices issued in advance of a supply occurring after 31 December 2009. Taking just two of the myriad examples:

- If your clients provide goods or services before 1 January 2010 and raise a VAT invoice for their supply after that date they can choose to account for VAT at 15 per cent.

- In the case of some supplies that start before 1 January 2010 it is possible to account for VAT partly at 15 % and partly at 17.5%.

There are also newly introduced anti-avoidance provisions implemented by HMRC to be considered. Whilst these are aimed at blocking VAT avoidance, they will almost inevitably impact on clients who unwittingly 'tick all the boxes' for the anti avoidance provisions to apply.

Remember! It is prudent to consider the impact of the rate change in advance of it occurring and to ensure that all IT systems can cope with it. – We are dealing with many enquiries regarding the impact of the rate change and are finding we can add real value in advising on practical VAT accounting solutions – contact us by email on info@thevatpeople.co.uk or call us for further details.

Place of Supply of Services – Update

Due to the level of interest following our previous edition highlighting the changes due 1 January 2010 which will affect all suppliers of services to non UK businesses we have introduced a product that is exclusively available to our network members. The product will assist your clients and provides an opportunity for

network members to generate more fees. If you have not already joined ***why not join our network now? It is free and with no obligation, our members receive our exclusive Network News and other mailings and have access to products such as our place of supply of services product. Email us on info@thevatpeople.co.uk or call us for further details.***

We are Specialists in VAT Relating to:-

- Land & Property
- Charities
- International VAT
- Not for Profit
- General VAT Queries
- Import / Export (Customs)

Our Range of Services Include:-

- Planning
- Assessment Reviews
- General Business Reviews
- Investigations
- Transactional Advice
- Customs Queries

To see how we can help you call

0870 420 8971

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Not all Plain Sailing for Yacht owners



HMRC are leading a renewed attack on those yacht owners who seek to register and claim VAT on the purchase of yachts. They are actively blocking applications from owners to register for VAT as yacht charter businesses on the basis that there is no substance to the businesses activities. We have been successful in obtaining VAT registrations for a number of clients who

could clearly demonstrate that they had acquired yachts and other high value assets in order to run a business. **Advice Tip:** *Always ensure that any VAT registration applications submitted for clients intending but not yet trading are supported by evidence of intention to trade. This is especially vital for businesses such as ones offering yachts to charter. In addition if you have already submitted a VAT registration application that has subsequently been rejected please contact us for further assistance.*

Interesting cases

Baljit Singh Mr Singh was registered compulsorily for VAT with effect from 1 September 2003 and he was notified of this fact by HMRC on 12 August 2008. Unfortunately the notification issued to him by HMRC showed the incorrect date of 1 September 2004. His advisor sought to argue that HMRC were out of time to register Mr Singh for VAT. The tribunal found that as the business failed to register by the appropriate date HMRC had the power to compulsorily register the business. There was no time bar in statute to prevent HMRC doing so. ***It is often incorrectly assumed that the three year cap applies to VAT due where a business has registered late for VAT. Unfortunately this is not the case.*** Where a business is liable to register for VAT the registration is backdated to the date the requirement to register applies from. Whilst the fact that HMRC are not time barred from compulsorily registering a business for VAT can be bad news for some businesses, the upside is that it can also be possible to agree to register on a voluntary basis from a date that maximises VAT recovery. **Action Point:** *Always check that your client has registered from the correct date, this can reduce potential VAT exposures and*

equally importantly for intending traders it can maximise VAT recovery.

Herling Limited The Company constructed 28 houses at St Merryn Holiday Village in Cornwall and intended to sell the freeholds or grant long leases in excess of 21 years. It expected that these supplies would qualify for zero rating on the basis that these would be grants of a first major interest in new dwellings. However, the relevant planning permission stipulated that the houses should be used for holiday accommodation only and for no other purpose. HMRC therefore ruled that zero rating did not apply. The houses could not be used as principal private residences because of the restriction placed on them to only be used as holiday accommodation. This view was accepted by the First Tier Tribunal (Tax) even though the houses were available for use for 52 weeks of the year. **Planning Point:** *In order to claim zero rating for grants of a major interest in domestic properties it is vital to ensure that the planning permission supports the fact that new homes are being built and not holiday residences. Otherwise there can be a significant exposure to account for a substantial amount of VAT.*

Can we help you?

Remember that our team are at the end of a phone ready to help you with any of your VAT or Customs related queries. As a bunch of seasoned ex-VAT officers we are the best source of advice around. Just call our helpline on

0870 420 8971

or email any of our directors personally

Colin Mathieson

colin.mathieson@thevatpeople.co.uk

David Miller

david.miller@thevatpeople.co.uk

Rob McCann

rob.mccann@thevatpeople.co.uk

Ivan Atkins

ivan.atkins@thevatpeople.co.uk

Why not Join the Network

Don't forget you can join our Network for free and receive additional mailings and information not otherwise available. Joining is easy and with no obligation – just send an e-mail with your details to: info@thevatpeople.co.uk

The VAT People Guides – Update

We are very pleased to report that we have had a good uptake of our additional Guides on Land & Property & Partial Exemption, in addition to the 5 guides on other VAT issues made available in our spring edition. ***These are only available to Network members so if you've not already joined why not join now? It's free & with no obligation but in addition to receiving our Network News you will receive other exclusive mailings not available elsewhere. E-mail us on info@thevatpeople.co.uk or call us for further details.***

the **vat** people
barnard atkins

t. 0870 420 8971 www.thevatpeople.co.uk