

vat news

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The VAT People's guide to helping accountants add value to clients' business



Given the economic downturn we know businesses are always looking at ways to minimise how much tax they pay and VAT is no exception. In recognition of this and to assist you add value to clients' business, we have available the following papers:-

- The VAT People's 'Top Ten VAT Tips'
- The VAT People's 'Specific VAT Issues Which Should Be Flagged' Guide
- The VAT People's 'Specific Sectors Which Should be Flagged' Guide
- The VAT People's Synopsis of the New Penalty Regime
- Adding Value to an Importer's Business – 10 Questions to Ask

You can receive copies of the above by joining our Network which is free and which provides update and information not available elsewhere. To join the network simply email your details to info@thevatpeople.co.uk

If you are already a Member you can email us to ask for your advance copies now.

New penalty regime – opportunity to add value

As we have previously stated, the new penalty regime came in with effect from 1st April 2009 and from now on HMRC will consider on a *subjective basis* whether any error resulted from 'careless' or 'deliberate' behaviour by a client.

If it is considered a business did not take '*reasonable care*' a penalty *will* be applied. Whilst mitigatable, this approach is a complete sea change by HMRC and in our view many 'compliant' businesses could fall foul of the new rules. *Clients can therefore no longer afford to be passive in their VAT affairs.*

This is an opportunity for accountants to add value in both notifying clients of this issue (see above for the availability of our synopsis) and offering specific tailored reviews for clients to assist them meet the 'reasonable care' test.

Remember! A tailored review can assist the client to avoid or mitigate penalties that have a starting range of **30% to a full 100%** of the VAT in error.

For further details as to how we can assist with such reviews (& provide you with an additional income stream) please contact one of the directors.

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

the **vat** people
barnard atkins

Budget updates

Despite much noise being made before hand about potential VAT changes to aid the currently ailing property market it was a somewhat low-key budget in terms of VAT changes. Details of the relevant VAT and other indirect tax changes are available on our website, and the main highlights are detailed below.

VAT rate change – The VAT rate will revert to 17.5% on 1st January 2010.

Simplification of the option to tax – Further changes have been made to the Option To Tax rules.

Named and shamed! – HMRC propose to publish the names of known tax evaders on their website in the future.

Bingo! – VAT on participation fees for playing bingo and other games of chance will be removed with effect from 27 April 2009. However, HMRC have at the same time increased bingo duty from 15% to 22%.

Cross border supplies – VAT on EU services will change on 1st January 2010 and should be simpler but we will provide details in a later VAT News on the full extent of these changes.

Electronic VAT refund system – Claims made to other EU Member States for VAT incurred will be simplified from 1st January 2010. After that date refunds will be available electronically from UK HMRC.

The Customs People – Update! – We will be launching The Customs People brand in the Summer of 2009 but in the meantime, you can contact us if you have any import or export queries.

Technical Updates

Property developers – impact of short term lets prior to sale

As we all know the building industry is currently struggling and many developers who build new residential properties are turning to granting short term lets to generate income to satisfy lenders' needs during the current economic downturn. This has a potentially adverse impact on VAT recovery. Although HMRC have accepted that the transfer of affected properties from the developer to a captive property rental business is an acceptable way of crystallising the VAT able use of the property by the developer and thus protecting VAT recovery, we have found that for most developers this idea will not work in practice, not least due to the fact that the lender is unlikely to agree to the property being transferred to another business.

Given that HMRC expect a clawback of input VAT where short term lets are granted, developers need to be aware of the rules and we have found that by careful planning we have been able to ensure that any rental income they will gain from their property developments will not trigger an input VAT recovery restriction even if the properties end up being rented out for a number of years.

We can of course assist you if you have clients that are facing a VAT loss due to the change in the property market. Please call for more information on 0870 420 8971.

Partial exemption – simplification of the standard method

HMRC have simplified the following:-

- The annual adjustment can now be made in the last VAT period of the VAT year instead of in the following period
- A use based method for businesses that have no income in the first year of trade (e.g. property developers)
- Use of the % recovered in a one year as a standard % throughout the following year with adjustment for actual usage in the year end annual adjustment

Partial exemption can be an absolute minefield and mistakes can be costly. It is always worth regularly reviewing any business which is Partly Exempt to ensure there are no issues or opportunities and we can of course assist with this process.

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 people we are the best source of advice around. Just call our helpline on

0870 420 8971

or email any of our directors personally

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The Vat People Network

As part of our new approach we are now asking you to join our dedicated network of accountants. Once registered as part of the network you will receive our bi-monthly Technical Update. This will provide useful reminders of new VAT legislation, news of recent rulings, and reminders of opportunities and threats within different industry sectors.

If you would like to join the network and start receiving the Technical Update via email simply email us on enquiries@thevatpeople.co.uk and we will send you a simple online form to complete. Membership of the Network is free.

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