

vat news

Late 2007 - Issue 4

The VAT People network exceeds 500 members



Following the launch of our Network a few months ago we are delighted to announce that membership has now exceeded 500. We want to extend a big thank-you to all those who have already joined and shown interest in what we are doing. If you have not already joined, it costs nothing and is simple to do – just send an email to info@thevatpeople.co.uk and we will reply with a registration form.

Remember as a member of our Network you will automatically receive an exclusive copy of

our bi-monthly Network News Technical Update and will be amongst the first to be able to take advantage of new services as we develop and expand our range.

Don't forget though that we only have space to detail a small selection of interesting and timely cases in our Newsletter & Network News. For more comprehensive information please see our website, www.thevatpeople.co.uk where we detail a wider range of the cases we are working on to assist accountants and their clients.

Case Studies

Default Surcharge

Since the last Newsletter we have assisted 2 clients significantly reduce their Default Surcharge liabilities.

- In one case, representations to HMRC on a point of law regarding the exclusion of repayment returns from the calculations resulted in a liability of around £50K being heavily reduced.
- In the second case representations were made following the late submission of returns by a business whose financial controller had failed to render returns. This was despite numerous requests

from the senior management who had subsequently sacked him. To date we have successfully reduced the surcharges issued from £32K to £16K and are awaiting the outcome of further representations.

Remember! Although Default Surcharges are automatically issued there is a right of appeal. Even though it can be difficult to remove surcharges in part or full, removal of one period can significantly affect the surcharge due. It is always worth considering or seeking a view on whether a surcharge is worth appealing and we can provide a no obligation view very quickly.

Effective Planning – Timing

We recently advised a group of companies with regards to its VAT Group registration and when the initial return should be set up and existing VAT registrations ceased. The result was that following successful representations a VAT repayment of £200K was secured whereas had the VAT registrations operated as the companies originally intended, which was without any planning, a £67K VAT payment would have been due at the same time instead.

Our advice is that successful planning of both VAT returns and when transactions occur can result in significant cash flow benefits so always plan!

Planning is an area in which we are heavily involved so please see our website for further examples of how transactions should be planned.

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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barnard atkins

Residential Construction – ‘Change of Use’ – Successful Negotiation I

When a new residential building is created either through construction or conversion from non-residential (e.g. Barn Conversion), the sale will be zero rated. However, we have had a couple of cases recently where HMRC have visited a client who prior to sale has rented the new dwelling either on a short term basis or because they were having problems selling.

In the latest, HMRC sought to assess £60K VAT on the basis that since the client had received rents and not sold the dwellings a change of use had occurred which meant that all VAT incurred was irrecoverable on the basis it related to actual exempt income.

We successfully contended that since sale was still intended the VAT incurred should be apportioned and we have negotiated a reduction of the assessment to around £7K.

We are now seeking to reduce this to nil on the basis that the agreed exempt input tax is under the partial exemption de-minimis limit.

Our advice is that where a client changes the intended use of a building so that the VAT incurred becomes to some degree exempt, it is worth negotiating with HMRC to minimise the VAT loss.

Joint Contracts of Employment – Successful Negotiation II

We recently negotiated a successful result for a client who had not implemented Joint Contracts of Employment but who had sought to do so. The client unsuccessfully tried to retrospectively adopt Joint Contracts but HMRC assessed, in this case £15K VAT. However, they also sought to assess up to

date on the basis that the client had not, even after amendments to employee contracts were made, successfully implemented Joint Contracts.

HMRC were trying to assess an additional £100K but we successfully negotiated with them and the assessment was not made.

Our advice is that the background to all assessments are worth consideration and as appropriate challenges and negotiations made.

Technical Update

New Invoicing Regulations

New invoicing regulations came into force on 1 October 2007 and whilst many businesses will remain unaffected, those operating any of the 2nd hand schemes,

those accounting for VAT under the Tour Operators' Margin Scheme, those involved in intra-EU supplies and those involved in supplies where the customer accounts for the VAT (i.e. reverse charge supplies / schedule 5 supplies) should be aware of the changes – contact us for further details.

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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VAT Registration Handling

With effect from 1 October 2007:

- All paper applications for general VAT registration and deregistration and notifications of changes in details should be sent to HMRC's VAT Registration Office at Wolverhampton.
- VAT 68 applications; VAT Group applications; Flat Rate Scheme applications and Annual Accounting requests should be sent to HMRC's VAT Registration Office at Grimsby.
- Agricultural Flat Rate Scheme applications should be sent to HMRC's VAT Registration Office at Carmarthen.
- Those without a business establishment, agent, or tax representative in the UK should continue to use the Non-established Taxable Persons Unit in Aberdeen.
- For the time being Online VAT registration applications will continue to be directed to the four National Registration Service sites at, Carmarthen, Grimsby, Newry and Wolverhampton.

The VAT People Network

Remember that only members of The VAT People Network receive our **Network News** which is an exclusive bi-monthly **technical update**. The material in this bulletin is not available anywhere else. It contains 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 Network News simply email us on info@thevatpeople.co.uk and we will send you an online form to complete.

Membership of the Network is free.

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