

# vat news

Spring 2007 - Issue 1



## Welcome to the first issue of our new-look VAT bulletin

As one of the largest dedicated firms of VAT advisers in the UK we have re-branded our business to reflect our size and strength – **welcome to The VAT People.**

Our recent research into the VAT marketplace revealed that we are already one of the biggest stand-alone VAT & Customs specialists, and that we should be shouting about our range of services and the depth of expertise that we offer. Hence we have created our new-look bulletin and our new name.

Unique among VAT specialists we have always produced a regular review of VAT-related opportunities and information and sent it to over 13,000 accountants throughout the UK.



This has resulted in a wide recognition of our services from the profession and some extremely high value projects. However, remember that we are always available at the end of a phone to deal with all your queries and concerns, however straightforward they may be.

We have long recognised that accountants are our core clients and most of our support and advice is directed at professionals. We can support your practice in a number of ways:-

- by giving you advice for a client who has a particularly knotty VAT issue
- by taking on a client's VAT problem and handling it for you, helping you to maintain the relationship of trust with your client
- by acting as an outsourced VAT specialist and forming a strategic alliance with your practice to add value to your services

We are also creating a new VAT People Network for accountants which will provide a regular Technical Update from us. Details of how to join the Network are on the reverse of this sheet.

### 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

### Case study: Clothing exporter

This client exports large amounts of clothing particularly to EU countries. He was having continual problems as Customs were putting stops on his VAT refunds (his purchases being UK sourced and thus VATable).

We were called in when the zero-rating of a £1.8m export to the Czech Republic was being delayed by Customs and repayment claims were being held up. We were able to help the client demonstrate a strong audit

trail of a high standard and enabled the client to reclaim over £250k of VAT that was under review.

Clients who export to EU countries are often unaware of the high level of audit trail that Customs require before allowing zero-rating of exports. Make sure that you are ahead of the game by having a clear understanding of the elements of the audit trail that will be required.

To see how we can help you call

**0870 420 8971**

the **vat** people  
barnard atkins

## Case Study: Commercial Property Transaction

We got a call from an accountancy colleague of ours who was concerned that one of his clients was being badly advised by his solicitors – that call which was made “just as a check” saved the client £131,000.

The situation was that the client had owned a commercial property for a number of years. Five years previously it had been let on a VAT-exempt basis. However for the five years running up to the sale it had been let to a tenant rent-free – however the tenant had spent £750k on maintaining and improving the property.

The sale of the property was going through very quickly and there were literally only a few days in which the details of the sale

could be finalised. The tenant needed to recover their monies spent and therefore had to raise an invoice to the owner for the value of improvements to the property.

In order to recover the £131k VAT on the invoice raised by the tenant the vendor needed to opt to tax the sale and his solicitors advised him that the correct thing to do was just to notify HMRC of the option. However David Miller of The VAT People immediately realised that this procedure was flawed due to the fact that as exempt supplies had been made previously, written permission was required before the owner could notify its option to tax. This would normally take in excess of 30 days and without permission, the option

to tax would have been invalid and thus the £131k irrecoverable.

We managed to speed the process up and completed the correct procedure with Customs in a few days and has now enabled the sale to go ahead with only a minor delay whilst protecting the refund of the £131k VAT.

If you are charging VAT on a property sale be aware that where exempt supplies of the property have been made previously, written permission from Customs may be required which does take time. Plan early and give yourself plenty of time to get written permission if this is necessary as last-minute glitches can be costly.

## Technical News

### Cash accounting

The turnover limit is now £1.35m (with the upper ceiling extended to £1.6m).

This provides opportunities for planning because any businesses with up to £1.35m turnover can now process their VAT on a cash received / cash paid basis with the initial use of Cash Accounting usually providing a cash flow injection into the business. Given that the limit has more than doubled, many more businesses can now take advantage of the scheme and it will be worth assessing the impact for clients.



### Customs reverse charge system

As of 1st June this year this will affect people dealing in mobile phones and computer chips. If the value of the transaction is over £5k and it is made between registered businesses then the purchaser is responsible for declaring VAT on the transaction.

### Scale charges

From the VAT period commencing 01/05/07 charges will be based on CO2 emissions rather than engine size.

### Weight Watchers - a new view on mixed supply

A recent ruling seems to have brought current views on mixed supply into question (the Card Protection Plan leading case). As Weight Watchers supply both dietary advice and handbooks it has been ruled that they come into the category of mixed supplies which comprise zero-rated handbooks & standard rated classes. Leading VAT commentators, including Tax Counsel, consider the blanket application of CPP is no longer applicable and that each case should be considered on its own merits – the consequence is that all supplies comprising more than one element of different VAT liabilities should be considered to see if savings can be made.

## 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](mailto: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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VAT and Customs Duties are complex and ever changing and the VAT liability of transactions can vary significantly depending on the circumstances. Therefore whilst every effort has been made to ensure the accuracy of the information contained in the newsletter, you should not act upon it without seeking professional advice.