

vat news

Summer 2007 - Issue 2



Welcome to the second issue of The VAT People News

We were delighted with the response to our first issue in May. The office was buzzing as our accountancy colleagues took the opportunity to phone and get on-the-spot VAT advice for their clients.

Remember as one of the largest stand-alone VAT consultancies in the UK that we are here to provide assistance 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

In addition as a result of our last issue of VAT News we received hundreds of email requests to join our Network and receive our bi-monthly Technical Update. If you would like to join simply send an email to info@thevatpeople.co.uk

As our network of accountancy clients grows we will continue to add and develop the range of services we offer them.

We hope that you find value in these regular updates and case studies – please do not hesitate to contact us if we can help unravel any VAT queries of your own.

Case study: Hot property #1

We help a Housing Association to recover £600,000

We were asked to advise a Housing Association about the VAT on their property developments. They didn't recover VAT when they purchased land but normally awaited completion of the development and the sale of the new houses. Sometimes this process took in excess of 3 years.

The immediate VAT recovery of £600K meant that we prevented an actual loss to the Association by timing the claim at the correct time.

Best Practice Tip: – Always review a client's VAT recovery policies and where recoverable VAT is incurred (even if only in part) then ensure steps are taken to maximise the cash flow – this results in actual savings for the client.

Case study: Hot property #2

Thinking outside the plot for a property sale

A client appointed an agent to sell numerous land plots and was due to incur significant irrecoverable VAT on the agent's fees. When called upon for advice The VAT People implemented a structure that provided the agent with an equitable interest in the property. This ensured that

the sale proceeds payable to the agent were outside the scope of VAT. This generated a considerable saving for the client.

Best Practice Tip: – The VAT position of every property deal must be reviewed at an early stage in order to achieve the most favourable VAT position and remove risks.

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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Case Studies: Residual Input Tax

Residual Input Tax

Ensuring all available input VAT is claimed – Input VAT on overheads is recoverable in part where a business makes both taxable & exempt sales.

The VAT People reviewed a Housing Association's VAT recovery records and ascertained that no VAT on overheads had been claimed even though partial recovery was allowable – A VAT claim of £46K submitted for the last 3 years.

For businesses which have VAT recovery issues due to exempt sales or non-business income, it is always worth reviewing VAT recovery procedures to ensure all allowable VAT is claimed.

'Special Method'

In keeping with the residual input tax theme, a method of recovery is required to calculate how much residual input VAT is claimable. If the 'standard method' (turnover based method) does not produce a fair and reasonable result, a special method could be sought with HMRC.

The VAT People reviewed the method used by a large client and proposed and negotiated a 'special' method which was fairer and more reasonable than the turnover method. The use of the special method resulted in immediate savings of £1M VAT with future savings of around a further £1M anticipated.

For clients with VAT recovery issues, regular reviews of the methods of calculating VAT recovery on overheads are a must.

The VAT People launches new website

As part of the re-branding process we told you about in the first issue of VAT news, The VAT People has also launched a brand new website at www.thevatpeople.co.uk. Please take the time to have a quick look at our new site and let us know what you think. The site currently provides comprehensive details of our range of services and will become a valuable source of actual case studies and information relating to current VAT news.



Technical News

Specialist Beauty Treatments

We are finding that many businesses automatically treat beauty and cosmetic procedures as exempt but that HMRC are challenging this and consider many are standard rated. We are currently negotiating on behalf of a number of clients.

Always review the VAT liability of income, especially where a client is seeking exemption or zero rating. The rules are very narrow in many instances and incorrect exemption / zero rating can be costly

Mayflower Trust

As a result of this case HMRC has issued a Business Brief with regard to the treatment of residual costs. HMRC consider that to be a residual cost, the cost has to be a direct cost-component of a supply which is in part attributable to VATable income.

HMRC's view seems very narrow and in our opinion businesses should critically examine whether a cost in any way relates to VATable income

You can receive more technical news by joining The VAT People Network

Remember that all you have to do to join the network is to email info@thevatpeople.co.uk and every couple of months 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. As you can see from the content of this issue there are always new threats and opportunities in the world of VAT – now you can be up to speed with your clients' needs.

Membership of the Network is free.

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 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.