

vat news

New Year 2008 - Issue 5

Welcome to the first issue of 2008



Since we launched VAT News in spring 2007 we have been delighted with the response from our accountancy colleagues – and based on your feedback and calls it seems you are also delighted with the information and support that we have been providing.

In 2008 we will be sending a full VAT News to everyone on a bi-monthly basis and our Network News, containing additional technical updates and latest case studies, will be sent on alternate months to those firms who have registered as members of the Network. If you would like to register for the Network updates simply send an email to info@thevatpeople.co.uk

Best wishes for a healthy and prosperous 2008 from all at The VAT People!

Here is a selection of some of our recent Case Studies

Effective Planning of Business Group Restructure – (VATable and VAT exempt businesses).

One of our accountancy clients asked us to review the group structure of one of their clients. We examined the various options available to the Group and eventually assisted the client with the formation of a VAT Group. This led to greater VAT recovery and the removal of VAT on inter-company recharges.

Moral – look carefully at the VAT implications of changes to a group's structure.

Property Planning Assists VAT Recovery

We advised on the purchase of a property by a wholly exempt business. As a result we suggested that the property should be bought by a separate company that will only be owned by two of the Directors of the existing business (who do not control the existing business).

As there was no 'connection', Company B can 'opt' and charge VAT to company A thus allowing full VAT recovery.

Moral (this is an old favourite) – look carefully at all property transactions at an early stage.

Challenge to HMRC Prevents Assessment & Saves £75K

HMRC believed that there should be claw-back due on the purchase of a pub that would be used to generate VATable and VAT exempt income. We successfully argued that no claw-back was due as VAT had only been charged on 90% of the purchase price. Therefore, VAT had only been charged on the commercial areas which will solely be used to generate VATable income. In addition we submitted a partial exemption special method request, which will lead to extra VAT recovery of £75K.

Moral – call us if you think a challenge is a possibility – we will advise you over the phone if we think it might be worthwhile – and remember the help-line calls are free!

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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Recent Case Studies - cont.

Royal Naval Association

We reviewed the VAT liability of subscription income. As a result we identified 30% zero-rated and 70% exempt income, as opposed to the previous treatment of 30% standard rated and 70% exempt. This will hopefully lead to a claim

for £30K (VAT overpaid in the last three years) and substantial future savings

Moral – clubs and associations often get it wrong and we do masses of this type of work – if you have clients in this sector let us know and we can advise whether a review is worthwhile.

Can we help you?

Our famous helpline is still going strong in 2008 – don't forget that our help-line team are at the end of a phone ready to assist 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.

Don't suffer with a New Year VAT headache - just call our helpline on

0870 420 8971

or email any of our directors personally

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Finance Sector – Exempt or Not?

We have previously mentioned areas where we are assisting clients in the finance sector. However it is worth bearing in mind that whilst many sources of income in the finance sector may be VAT exempt, the VAT exemption is limited to those areas specifically listed as being exempt in the VAT law.

Income from seemingly finance sector sources is therefore not automatically exempt, for example, commission from IVA providers is not exempt and HMRC are looking at this sector. Our advice is that any income shown by clients as being non-VATable should be examined to ensure the exemption conditions are met.

VAT Rulings – It Pays to Obtain Advice In Areas of Doubt

The VAT People has recently assisted a client in the financial sector on a number of VAT issues. As part of our assistance, we identified that whilst some of the company's income was clearly standard rated (having received commission income from an IVA provider) and some of it clearly exempt, the liability of one source of income was by no means certain. We recommended seeking a ruling as part of the VAT registration process since the VAT liability affected the VAT registration date by some 6 months and financially had an impact on the company.

Having made the case that the 'uncertain' source of income was exempt, HMRC agreed our contentions that the source of income in question was exempt and the correct Registration Date has now been established.

The benefits of obtaining a binding ruling in this case are threefold:

1 The client has certainty that the income is exempt going forward

2 The client will achieve actual savings of an estimated £20K VAT on its first return since the date of registration is later – this amount represents on actual saving given our client would not have been able to pass VAT on against this source of income to its customers

3 Going forward the income stream in question is exempt which will achieve actual savings given that the income is a fixed amount where our client would have had to account for VAT from its gross income had VAT been due

Remember! Rulings can give clients certainty and protect them from backdated assessments as long as all facts are put to HMRC as part of the ruling request – they are not binding where relevant information is not presented.

Rulings do not mean HMRC cannot revisit an issue but if a binding ruling is obtained they are currently limited to the issuing of a further ruling were they to subsequently disagree any earlier ruling. We are experienced in requesting, presenting and obtaining rulings so please contact us for further assistance.

Technical Update

With effect from 1 January 2008, renovations and alterations to residential properties that have been empty for at least 2 years will be eligible for the reduced VAT rate of 5%.

This is a welcome change to previous VAT law which required that such properties were empty for at least 3 years and any contractors or developers of such properties are encouraged to review current schemes to see whether this change will affect them.

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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