

vat news

Summer 2008 - Issue 6

The VAT People Expand Their Team



Due to the growth in **The VAT People Network** which now stands at over 650 members, we are pleased to announce that we are growing our team.

This month we are very pleased to welcome **Tamara Habberley** who joined us from a Top 20 accountancy practice and has more than 15 years experience both in practice and with

HMRC. Tamara complements well the existing team's wide ranging knowledge of indirect taxes and we are confident she will help us continue to provide high quality advice to all of our clients.

To clients past and present we would like to thank you for your continued support. For those of you who have not yet tried our services, why not give us a try, we look forward to assisting you!

Case Studies: It Pays to Take Advice!

One of our accountancy colleagues contacted us regarding a client who had incurred VAT on a new property development but who had not VAT registered or opted to tax until they were ready to use the site. HMRC blocked the recovery of pre-registration VAT on services which were more than 6 months old. However, on considering all available avenues, The VAT People identified an Extra-Statutory Concession which allowed a claim of £25K. This was on the basis that a business which was registered but that decided to opt to tax later would benefit from VAT relief – it pays to take advice!

Remember it's worth challenging assessments! Some recent successes include:

A client converted a commercial building to holiday homes. HMRC assessed for VAT on the sale of the holiday homes stating they were 'new'. However, as holiday homes are deemed to be commercial property for VAT purposes and the building was more than 3 years old, the sale was in fact exempt. **We saved the client circa £400K VAT.**

A client built new retail units for rental but did not realise they had to notify their option to tax – although they charged VAT on the rental income. HMRC assessed on the basis that the option to tax was invalid. There are provisions, however, for backdating an option in some circumstances and on becoming aware of the case just before HMRC went for insolvency, **we managed to successfully challenge the assessment which was for £75K.**

Advice

The moral therefore is to carefully check any HMRC assessments you or your clients receive before you accept them.

Penalties

As well as challenging assessments it is also worth considering appealing against penalties – even though a new regime is due in April 2009. This is worthwhile even if the result is just to minimise the amount since HMRC invariably apply penalties without any real thought. **We have had good successes recently including reducing a £30K mis-declaration penalty by 50%.**

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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Effective Planning

Here at **The VAT People** much of our work involves effective planning – the importance of this cannot be overstated.

Effective planning #1

In one recent case a client that took direct tax advice implemented a structure that

involved the free transfer of a property using a 'dividend in specie' which although, we understand, has no value for direct tax purposes does constitute a deemed supply for VAT purposes. The property was worth around £2.5M and so this led to a significant and unexpected VAT charge.

Effective planning #2

In another case, a residential property client purchased the trade and assets of

a competitor but failed to identify that the purchase included several commercial properties which had been opted to tax. Whilst backdated action to correct the position was possible, a VAT-free transfer using a TOGC was not and the purchasing client has had to fund VAT on a transfer worth several £m plus pay additional SDLT.



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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Technical News

Voluntary disclosures

With effect from 1st July 2008 the limits on the need to make a voluntary disclosure are changing. The minimum net error needed for a disclosure to be required is rising from £2K to a minimum of £10K. For businesses with a turnover exceeding £1.0M the limit before disclosure is needed is 10% of turnover although where the error exceeds £50K disclosure is required. This should minimise penalties and interest since errors under these limits can be amended on a VAT return.

Changes to VAT law on property

With effect from 1st June 2008 HMRC have amended the VAT law on property, with the key changes being in brief:-

- VAT Group companies are all covered by an option to tax where a group member opts a property;
- The automatic disapplication of an option to tax on a property a purchaser will convert to residential use has ceased – instead the VAT charge is only disappplied if the purchaser gives the vendor a certificate prior to completion as to the usage post completion – this changes the onus from the vendor to the purchaser and simplifies matters.
- Likewise, intermediaries in such circumstances can now issue certificates which allows for options to be disappplied if the intermediary is to immediately sell the property to a buyer who is to use it for a residential purpose.
- HMRC have crystallised the anti-avoidance provisions that in law 'occupation for mainly eligible purposes' means 80% or more taxable use – this applies particularly where there are connected parties and one is partly exempt.
- There is a new Real Estate Election which allows businesses to make a single option to tax for all properties they own or have an interest in thereafter. This saves the need for opting to tax each property purchased although a business can specifically apply for named properties not to be opted.
- Cooling off period extended from 3 months to 6 months.
- Buildings constructed on opted land will automatically be opted unless the owner specifically applies for this not to be the case.
- HMRC are allowing some backdating of permission if required – this is however limited to where VAT has been charged on rents and a business has merely failed to notify.

Why not Join the Network

Why not indeed? Remember that only members of The VAT People Network receive an exclusive bi-monthly **Network News**. 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.

In an effort to help reduce our carbon footprint we will shortly stop sending the hard copy Network News to non-Network members so the only way to receive our mailings will be via e-mail. Membership is free and you will only receive our monthly mailings as we do not send unsolicited e-mails.

If you would like to join the network and start receiving the Technical Update simply email us on info@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.