

vat news

Early Autumn 2008 - Issue 7



The VAT People Continues to Expand its Team!

In order to meet the growing needs of our business we are very pleased to welcome two further new additions to our Consultancy Team.

Angelka Dragisic is an experienced VAT consultant having worked for 15 years within HMRC, then for two of the large accountancy

practices as a consultant before working as the in-house VAT resource for two major companies. **Lindsey Gibbons** joins us from one of the big 4 and has 8 years experience as a VAT consultant assisting businesses of all sizes.

We welcome both Angelka and Lindsey and can now offer an even better service to all of our accountancy colleagues and their clients.

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

Case Studies: Customs Misdirection – Successful Appeal

We are pleased to report that we have successfully managed to challenge a Customs assessment for £170K Customs Duty (and import VAT) for a long standing importer who it was found had used the incorrect commodity code to classify its goods. This led HMRC to raise a bill for 8% duty whereas the client had always used a commodity code which bore nil duty.

The VAT People were introduced to the client by an accountancy Network member, and the client was delighted by his accountants' recommendation of our services.

HMRC have now withdrawn the £170K assessment.



Case Studies: Overseas Recharges

We have recently had success in making HMRC withdraw a £31K proposed assessment on recharges to overseas associated companies where the documentation was not as clear as it should be. We persuaded HMRC that the true nature of the services supplied did not attract UK VAT and this avoided a costly assessment being raised.

We also had another recent case where the recharges to a Belgian associate were subject to VAT and we have assisted the Belgian company recover the £85K VAT charge through registering the company in the UK.

The moral is for businesses to ensure that documentation is clear from the outset and we can provide assistance in this area.

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Case Studies: Property – Minimise the Impact of the Credit Crunch

Due to the downturn in the property market, we have increasingly found that both small and mid-size property developers are having to consider how best to use recently developed residential properties in order to meet capital repayments. This often involves short term letting instead of sale although this does have a VAT consequence, particularly if the

property is a conversion from non-residential to residential.

The worst case scenario is that all VAT incurred on a project is deemed by HMRC to be irrecoverable due to 'exempt' rents being received but there is case law precedent that allows a developer to apportion these costs.

There is no set method of apportionment as circumstances differ from project to project but we have much experience in negotiating apportionments with HMRC to ensure that the change of use has minimal impact.

If you have clients affected by this contact us to ensure their change of use is correctly treated.

Trading in Europe – be Proactive

As the overseas recharge case study demonstrates, the importance of ensuring documentation is correct cannot be stressed enough. In addition, we have many enquiries in relation to the VAT consequences of trading overseas, in particular with sales and income in other EU countries. Whilst trading overseas may involve no VAT being due on sales, the EU system is not yet harmonised so businesses

should ensure they are proactive and fully establish the VAT position on their transactions.

The VAT People has wide experience in assisting UK businesses with overseas VAT & overseas businesses with UK VAT. Currently we assist numerous UK clients that are required to have multiple EU VAT registrations with both planning and compliance work as well as around half a dozen overseas businesses with UK VAT issues.

Question HMRC!

We are finding in many of our cases that HMRC are becoming increasingly belligerent in dealing with taxpayers and that in some cases when asked to provide explanations including reasons for assessing they seem more than reluctant. We have had some recent success in pursuing them for answers so the moral is to be persistent.

Technical News

Whitechapel Art Gallery

An interesting case in that the Tribunal ruled against HMRC in not allowing the Lennartz principle to be applied when the taxpayer purchased a building to be used for both business & non-business purposes. The relevance of Lennartz is that for assets including buildings which are to be used for both business and non-business purposes, VAT full recovery is allowed when the asset is purchased (so long as it is not going to be used for business entertainment). VAT is then adjusted when any non-business use occurs.

Weight Watchers

The Court of Appeal has recently ruled that the charges paid to WW by members constitute a single standard rated supply even though there are a number of component parts.

Whilst this seems to draw to a conclusion this particular case it highlights the need for businesses to closely consider whether a single or multiple supply is being made and the relevant consequences of each.

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 officers 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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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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