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Bespoke VAT consultancy and advice

A regular update on VAT developments and VAT-saving opportunities.

Is VAT more boring than Sebastian Vettel?

This is a question that I was recently asked by someone who clearly thought that there isn't much in it. Vettel's dominating position in Formula 1 racing over recent years has come about because of his consistency. As I am a VAT specialist of many years standing, you might expect that I would be biased, and of course I am. I don't think that it's as a result of bias however that I believe that the very thing that

VAT is not is consistent. For example, there are currently three different rates of VAT that can be applied to building services. At the time of writing in October 2013, the standard rate of VAT within the EU countries varies from 15% in Luxembourg to 27% in Hungary. And these are just two examples.

If boring is seen to mean that the subject matter is never in the news, then VAT does not qualify. Most people have seen the stories about the correct VAT rate for Jaffa cakes, and who could forget Pastygate last year?

I trust that you will find the articles in this newsletter far from boring. If you want to contact either myself or my colleague, David Pegg about them, please feel free to do so. ■

Gill Yates
Associate, Head of VAT Services



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Selling over the internet – VAT considerations

As more businesses sell goods over the Internet, there are a number of VAT issues that they should consider

With eCommerce becoming ever bigger we are finding that we are advising more and more businesses in respect of VAT on eCommerce. Broadly speaking, the queries come from two different groups, namely UK businesses who sell goods to the world or alternatively, UK businesses that support overseas companies, often parent companies wishing to make supplies to the UK.

For both types of business there are planning considerations that they need to be aware of and these are briefly set out below.

UK e-tailers' sales to overseas customers will be affected by a number of issues including where their customers are located and whether their customer is a business or a consumer (individual). Their systems need to be able to identify certain key pieces of information, and if sending goods to other EU countries they will need to be aware of the complex Distance Selling Rules. **These rules mean that if they sell goods and send them to consumers in another EU country, they need to register there and charge VAT at the rate applicable in that country** – unless the total value of sales to that country in the year falls below the limit set by the country (€35,000 or 100,000).

The implications of these rules could mean that a UK based business may need to register for VAT in up to 27 other EU

countries as well as the UK! Pricing policies as well as VAT declarations are affected.

We have recent experience of businesses being approached by both the German and Irish tax authorities regarding the level of sales being made to their countries private consumers. There is a whole section of HMRC kept busy in collecting VAT on behalf of other EU countries where businesses have fallen foul of the distance selling rules.

The National Audit Office were recently critical of HMRC's performance in respect of internet traders, feeling that they were not given sufficient attention. This is likely to mean that HMRC will focus on such businesses even more in the future. You have been warned!

We have much experience in assisting and advising businesses in structuring their



business to ensure that internet sales are correctly declared.

In respect of supplying UK consumers over the Internet from overseas, considerations include how the overseas shipper will treat such sales given that the consumer could be liable for UK VAT and possibly duty on top of the advertised purchase price. Many businesses wish to supply on a Delivered Taxes Paid basis to the consumer so this needs to be planned for. ■

VAT and Simplified Invoices

HMRC Public Notice 700/21 has been updated and one of the updates is in relation to new guidance on issuing VAT simplified invoices by businesses other than retailers.

Historically, only retailers could issue simplified invoices, however the guidance has been updated so that should the total value of a supply not exceed £250 any business may issue their customer with a simplified invoice.

We are aware of a number of businesses that have not recovered VAT on simplified invoices when making purchases from

retailers and other businesses that have recovered VAT on retailer simplified invoices but not on simplified invoices received from other traders (e.g. builder merchants).

We recommend that if your clients make significant purchases with petty cash or via staff expenses a simple check is made to ensure that any VAT incurred on simplified invoices has been recovered.

If you would like any assistance with this exercise please don't hesitate to contact us. ■



VAT tribunal rules that compulsory on-line filing of VAT returns is unlawful

Three VAT registered businesses have won their appeals against HMRC's requirement that they file their VAT returns online.

All of the appellants ran their own small businesses. Two of the appellants experienced disabilities which made it excessively difficult or impossible for them to use a computer. A third lived in a remote area of the country where broadband access was absent or unreliable. Three were of an age which made learning how to use a computer particularly difficult and they would have had to incur the cost of instructing an agent. They had all filed their VAT returns promptly and accurately on paper for many years.

In a ground-breaking decision, the judge held that the regulations that required online filing of VAT returns without providing exemptions for older people, those with disabilities or those living in parts of the country too remote for broadband

access, were in breach of the appellants' human rights and were unlawful under EU law.

One piece of information that this case publicises is that in exceptional circumstances, HMRC allow a VAT return to be submitted by telephone. There is no published information available regarding this as HMRC don't really want people to ask to be allowed to use it. Given that, as currently practiced, it requires HMRC to phone the business at a time and date pre arranged three months in advance, it is unlikely that there would be a stampede of business people clamouring for this concession to be available to them.

It remains to be seen whether HMRC will be appealing this decision. ■



Both the construction and private security industries London and the south east are being targeted as part of the next wave of taskforces launched by HMRC

Taskforces are specialist teams that undertake intensive bursts of activity in specific high-risk trade sectors and locations in the UK. The teams visit traders to examine their records and carry out other investigations.

Aimed at security guards, bouncers and their employers – the task force focusing on the private security industry in London and the South East is expected to recover £10 million.

The task force looking at the construction sector in London is expected to discover at least £3 million in undeclared income.

Other taskforces announced recently will target:

- hidden wealth in the Midlands – including people with offshore accounts and those living lifestyles beyond their obvious means through assets from undeclared income. This will recover over £3 million
- the second hand car traders in the Midlands. This is expected to bring in at least £3 million

HMRC has collected more than £90 million as a result of taskforces launched since 2011-12. It expects to bring in over £90 million per year from taskforces launched over the next three years. ■



HMRC campaign against non VAT registered businesses



The VAT Initiative campaign has focused on individuals and businesses operating at or above the VAT threshold who had not registered for VAT. Those that came forward were given help by HMRC to pay what they owed and to claim VAT repayments. HMRC continues to help those that came forward to get their affairs in order. To date, close to £20 million has been collected as a result of this initiative.

HMRC is continuing to follow up on those businesses where the information held

suggests that the VAT turnover threshold had been exceeded. This could lead to the compulsory registration of businesses and a possible 'failure to notify' penalty of up to 100 per cent of the VAT due. It is therefore important that all non VAT registered businesses making taxable supplies regularly check to ensure that they have not exceeded the current VAT registration limit of £79,000. Accountants should be encouraging their clients to carry out this activity as a matter of course. ■

Changes to help listed places of worship with the cost of repairs and alterations

The Government has recently made a welcome announcement to the scope and operation of the Listed Places of Worship grant scheme, which has taken effect from 1 October 2013. These changes will enable more listed places of worship to claim for grants through the scheme.

The scope of the scheme will be widened to include works on items such as pipe organs, turret clocks, and bells. Professional services directly related to eligible building work such as architect fees will also become eligible. These changes apply to works supplied from 1 October 2013.

From this date, applications to make use of the scheme will be accepted from religious and charitable groups whose main purpose is to conserve, repair and maintain redundant listed places of worship which are not in private ownership.

These changes will be accompanied by administrative changes to simplify claiming through the scheme including:

- A new provision that in any 12 month period each place of worship may submit one claim using eligible invoices with a value between £500 and £1,000 (excluding the VAT paid). This is in addition to an unlimited number of claims where the value of eligible work carried out (excluding VAT) is £1,000 or greater

- Scanned and photocopied invoices will now be accepted to support claims

Full details of the changes and new application forms are available on the Listed Places of Worship grant scheme website. ■



Give Us A Call

If you would like information on VAT-penalties' wide range of services, please call your local office:

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