

November 2007

Welcome to our second edition of VAT Wire, a bite sized approach to keep you up to date on some legislative and compliance issues that need consideration.

Pre-budget report

Certain works to a residential building that has not been used for a residential purpose for at least 3 years qualify for the reduced rate of 5%. With effect from 1 January 2008 the qualifying period is to be reduced to 2 years for works commencing on or after that date.

Exemption for insurance intermediaries

Some recent court cases have looked at this area and determined that services such as the provision of internet comparison web sites and web based quotation systems that brokers can use do not qualify for the exemption.

Zero rating for exports

Many businesses do not realise that in the UK there is a time limit for obtaining evidence of exports that in most cases is 3 months. In a recent ECJ case involving a German business the court ruled that the German tax office was wrong to refuse zero rating because the necessary evidence was not received within a certain time limit.

In another case, this time in the UK, the court confirmed that in cases where goods are sold to a customer from outside the EC but delivered to a place inside the EC, zero rating can only apply if the customer is VAT registered within the EC.

New Lennartz accounting regulations

Lennartz is the name for a scheme that in certain cases allows someone to spread the VAT cost of a new building or refurbishment over a number of years, typically 20.

Legislation introduced with effect from 1 November 2007 has reduced this period to 10 years and defined what costs can be included. This scheme would typically be used by charities and non profit making bodies.

VAT treatment of serviced building plots

HMRC recently announced a change of policy following a court case from a few months ago.

They now accept that the sale of a serviced building plot e.g. a plot of land where works to provide access to essential services such as water and gas, is now a single exempt supply. Previously the land was exempt but the works chargeable with VAT. They have also defined the circumstances in which the supply of such works by a contractor can be zero rated. In most cases a developer can opt to charge VAT to ensure VAT recovery but there will be cases where this is not possible e.g. sale to a Housing Association.

Changes to VAT invoices from 01st October 2007

Mainly a compliance issue. From this date, invoices must have sequential numbering which almost most businesses already do. The sequence can be alpha/numeric provided it is in a recognisable sequence.

Also, use of special schemes will need to be notified on the invoice. For Tour Operator Margin Scheme (TOMS) users, a phrase stating the TOMS scheme is in use is required. Similar actions are needed for other margins schemes, reverse charging, intra-EC exempt supplies and zero-rated supplies of goods. HMRC will afford a period of time to allow business to adjust without penalty.

VAT Training

The recent workshops held in our Derby, Nottingham and Leicester offices were a great success. If you missed out this time but still interested in renewing your existing VAT knowledge or simply starting anew to the subject, then we will be holding further workshops in 2008. Please email by return if you want to be included on the list for next year.

If you have a question regarding the content of this newsletter or any other VAT matter – please contact:

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The logo for Cooper Parry features the company name in white, bold, sans-serif capital letters on a dark blue rectangular background. To the right of the text is a vertical bar composed of several colored segments: brown, orange, green, red, blue, light blue, lime green, and orange.

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