

# What's new in VAT?

September 2011

Subject	Brief detail	Who is affected?	Action
Design and build construction contracts	Many businesses in the construction industry use design and build contracts to reduce the VAT cost on professional services. HMRC have always accepted this but have now released a new draft notice which suggests that they will no longer accept it.	Businesses using such contracts might no longer be able to benefit from such a structure.	Check contracts and prepare for a possible increase in VAT exposure.
IVA service providers	Paymex was a business providing services to individuals in entering into IVAs. HMRC argued that their services were standard rated, Paymex that they were exempt financial intermediary services. Paymex has won its case.	Businesses providing IVA and similar services.	Assess whether tax has been accounted for unnecessarily and lodge claims as appropriate.
Default surcharges	Energys won its case that a default surcharge was excessive because it paid a return one day late and ended up with a penalty of £263k. The court agreed that the penalty was disproportionate.	Businesses that have incurred default surcharge penalties where submission has been only shortly after the deadline, the amount was unusually high and there was some element of mitigation.	Consider lodging appeals for reconsideration of the penalty as being excessive.
Low value consignments	A reminder that low value consignments from outside the UK can be imported free of duty and VAT. The limit of £18 is to be reduced to £15 with effect from 1 November 2011.	Importers and business established outside the UK selling low value items to the UK public.	Ensure that steps are in place to adjust prices to reflect the new limit.
Flat rate scheme	A reminder that income from non-UK clients and customers that is outside the scope of VAT due to the place of supply of services provisions is to be left out of FRS turnover. Likewise UK bank interest should be omitted.	FRS traders.	Check calculations to ensure that turnover has not been overstated due to non-UK or bank interest income.