

What's new in VAT?

April 2011

Subject	Brief detail	Who is affected?	Action
Suspension of penalties	HMRC have the power to suspend misdeclaration penalties in certain cases. However, they appear not to be using their discretion here very often. Recent cases suggest that the Tribunals feel they should be suspending more.	Any business assessed to a "careless error" penalty which is not suspended.	Consider appealing on the grounds that the penalty should have been suspended.
Opticians	Opticians, who do not charge separately for their exempt professional services and their taxable supplies of spectacles and contact lenses, apportion their income based on either the full costs apportionment basis or another, agreed method. HMRC appear to be getting more aggressive in their negotiations in order to drive up the taxable proportion.	Opticians practices.	Review methods to ensure that they are fair. Robustly resist HMRC attempts to increase taxable proportions if unjustified.
Catering	The <i>Manfred Bog</i> and other cases have been heard in Europe. They have ruled that the definition of what is a service in the catering industry is narrower than many authorities have previously suggested. HMRC have stated that they do not feel that the rulings affect their treatment but it is worth looking at.	Catering outlets such as road side cafes and kiosks other such businesses that do not have their own premises on which to serve food.	Review the decision's applicability and consider a retrospective claim.
Partial exemption	Broadly speaking the amount of revenue raised through VAT can be stated to be that VAT charged by businesses to persons who cannot recover that tax for any reason. A recent report has shown that around 15% of this tax is VAT incurred by partially exempt businesses.	Any partially exempt business.	Review recovery methods regularly to ensure that the best recovery is achieved.