

What's new in VAT?

June 2011

Subject	Brief detail	Who is effected?	Action
Fall back	EC acquisition tax becomes due in the state to which the goods are removed and also in the state which issued the VAT number used to gain zero rating (the fallback provisions). This latter VAT is only adjustable if it can be shown that the VAT has been accounted for in the state of destination.	Anyone with insufficient evidence of VAT accounting in the destination state. This could be businesses moving own goods or delivering to private individuals.	Ensure that proper evidence of VAT accounting in destination states is available.
Value of supply	Reed Employment has been successful in arguing that only the commission element of wages for temporary workers is subject to VAT.	Employment agencies which have been accounting for VAT on the full charge to clients.	Consider whether contracts are similar enough to Reed's and make a claim as appropriate.
Legitimate expectation	A Noor rang HMRC and asked whether input tax on pre-registration costs was recoverable. The advice given was that a claim could cover the three years prior to registration. This was incomplete as it ignored the restriction to six months for services, the three year rule (now four) relating only to goods. A claim was made and later rejected as it related to services more than six months old. On appeal Noor won using a legitimate expectation argument.	Any business denied claims or assessed to tax where the action was taken or treatment afforded following specific advice from HMRC.	Check that action taken based on specific advice and appeal where in time.
Carrier bags	From 1 st October, retailers in Wales selling goods in single use carrier bags will be required to charge at least 5p per bag. HMRC have confirmed that this is a charge for the bag and subject to standard rate VAT.	All retailers operating in Wales and providing single use carrier bags.	Put systems in place to ensure that VAT is accounted for correctly.

