

## **Demolition orders and FOREX**

### **Demolition orders**

A house had been subject to a demolition order by the local authority following an arson attack. The house owner claimed that the costs of demolition were zero-rated, being a part of the process of the construction of a new dwelling. At Tribunal Customs argued that there was not a connection between the demolition of the old house and construction of the new one because the demolition was undertaken in order to comply with the demolition notice and was done before the new one was planned. The taxpayer's appeal was dismissed by the tribunal. They decided that the demolition was not undertaken to facilitate a pre-planned construction but was done in order to comply with the local authority demolition order.

### **Forex transactions**

A Revenue & Customs brief has recently been issued, explaining HMRC's views on when forex transactions are supplies for VAT purposes. In general forex transactions are supplies for VAT purposes if a spread position is adopted over a period of time when buying and selling currency. The forex transactions are not supplies for VAT purposes if a business simply exchanging one currency for another to exchange foreign earnings into sterling or to acquire currency to settle liabilities incurred outside the UK.

*Businesses involved in forex transactions and financial intermediary should seek professional advice in respect of the VAT implications as it is a complicated area and some methods of partial exemption may need to be revised.*