

VAT and the Budget 2008

Several changes were announced in the Chancellor's recent Budget and the main changes are as follows:-

New registration/de-registration limits

With effect from 1st April 2008, compulsory registration applies if the turnover exceeds £67,000 (previously £64,000) and applications for de-registration can apply if the taxable turnover is below £65,000 (previously £62,000).

Companies that have not yet breached the compulsory registration threshold are still able to register on a voluntary basis. This may be useful to reclaim input tax incurred on start-up costs, etc.

Agency Staff Hire - Concession

The staff hire concession whereby VAT on supplies of staff can be limited to just the profit element is to be withdrawn from 1st April 2009.

This has been in the pipeline for at least 8 years. Partially exempt businesses may still make use of the concession until then. Contact 4 Eyes Ltd if this is of interest to you.

Partial Exemption Simplification

Consultation will be arranged to consider simplification of partial exemption and the capital goods scheme.

VAT – transitional period for claims

HMRC in their budget notice say that businesses registered for VAT between 1st April 1973 and 1st May 1997 which either declared more output VAT (up to 4th December 1996) than they were liable to or reclaimed less input VAT (up to 1 May 1997) than they were entitled to can now make a claim to have a refund, such claim to be made by 31 March 2009.

This facility now re-establishes registered traders' rights which were incorrectly removed when the present three year capping rules were introduced from 1997.

Option to Tax – Land & Buildings

Legislation relating to the option to tax on land and buildings will be simplified, in particular the rules concerning the revocation of the option after 20 years will be simplified. The changes will be effected from 1st June 2008. It will be possible to begin revoking an option to tax with effect from 1st August 2009.

VAT Exemption Extended

The scope of the VAT exemption for fund managers is to be extended from 1st October 2008 to cover UK listed investment entities (including investment trust companies and VCTs) and certain overseas funds.

Correction of Errors

Currently, past errors on returns can only be adjusted and a current return if the error is less than £2,000 in total. Errors exceeding this amount have to be separately notified in writing to HMRC. From 1st July 2008, the voluntary disclosure threshold increases from £2,000 to the greater of £10,000 or 1% of turnover subject to an upper limit of £50,000.

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