

### **New zero rate for trading of emissions allowances**

With effect from today HMRC have made the trading of emissions allowances zero rated for VAT purposes. This to prevent VAT fraud which had begun to appear. All EUAs and other allowances that are pursuant to the Kyoto Protocol, such as CERs, are affected and the zero rate will apply to spots, futures and options, irrespective of whether they are supplied on an exchange or over the counter.

The Government decided that a zero rate was the best option for tackling this fraud as it would be completely effective at preventing the fraud and could be achieved very quickly, by secondary legislation.

#### ***Comment***

*Although the UK would not normally be able to extent the scope of zero rating (which was retained as a (contentious) concession at the time of us joining the EEC, as the purpose of this measure is to prevent fraud, it is not anticipated that this will be challenged by the EU Commission.*

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