

### VAT treatment of aircraft

Despite strong industry pressure to defend the current position, the UK has decided that it cannot mount a viable defence to the infringement case brought against it by the EC Commission in respect of the UK VAT zero-rating of supplies of aircraft (and associated goods and services). It accepts that the zero-rating category in UK law is different in scope from that in EC law and that it must legislate to remedy this breach. HMRC is consulting on the potential impact of the changes (which it considers to be mainly cash flow) and on how the UK law should be changed. Organisations involved with this sector should assess how they may be affected and should consider responding to the consultation where appropriate.

The Consultation Paper is available via this [link](#).

HMRC has confirmed, both in discussions with the industry and in the condoc, that the zero-rating for aircraft supplied to State bodies (such as the Ministry of Defence) is not going to be affected, as it is permitted under a different part of the Directive - even though the UK law which currently allows this is also likely to have to be changed.

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