

Partial exemption – Simplified de minimis test

SI 2010/559 – Value Added Tax (Amendment) Regulations 2010

SI 2010/559 makes a number of changes to the VAT Regulations. The main changes are those to partial exemption, introducing a simplified annual de minimis test. These changes are part of HMRC's ongoing partial exemption simplification work. The changes are effective from 1 April 2010.

The annual test will allow certain businesses that are de minimis in a given year to treat themselves as provisionally de minimis in the subsequent year, subject to an annual adjustment at year-end. There is an additional condition to the simplification that the taxable person is not expected to incur more than a £1,000,000 input tax in that subsequent year. The changes mean qualifying businesses will only need to undertake de minimis checks once a year as opposed to five times or more for those on monthly returns. This is not compulsory and businesses can continue to perform the test on a period by period basis. Whilst simplification is always welcome, the £1,000,000 condition will mean many larger businesses will not benefit.

4 Eyes Ltd is currently offering partly exempt businesses a free partial exemption review. Contact Phillip Henwood (phenwood@4eyesltd.co.uk) for further information.

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