

Restriction of Lennartz accounting

The restriction of Lennartz accounting was announced in the March 2010 budget, although the detailed provisions were not provided at that time. Measures are to be introduced in the Finance Bill to implement changes to restrict the availability of Lennartz accounting and to ensure that those who have recovered input tax under Lennartz continue to pay the output VAT due. The legislation relating to input tax blocking on directors' accommodation will be redundant. The legislation will include provisions to ensure that taxpayers who have previously deducted input tax on mixed use assets will continue to pay the VAT due on the private use of those assets.

Amendments to the VAT Act 1994 will be made to:

- provide a distinction between business input tax and non-business VAT;
- ensure that for certain assets specified in new legislation, VAT cannot be recovered in respect of private use or purposes other than those of a business from 1 January 2011;
- provide a power to make regulations to treat non-business VAT as input tax;
- ensure that VAT is not recoverable in respect of private use of directors' accommodation; and
- ensure that output tax continues to be paid where a credit was allowed in respect of a supply falling under paragraph 5(4) of Schedule 4 VAT Act 1994.

Amendments will also be made in respect of the capital goods scheme. Further details of this measure are provided in [BN42 - VAT: Lennartz accounting: restricting application and securing revenue](#).

Comment

Businesses which have adopted Lennartz accounting will need to consider their options. Until the Finance Bill is published, the detailed legislation is unknown. There is therefore a degree of uncertainty as to what options may be available to such businesses.

WE HOPE YOU FIND THIS NEWS ARTICLE HELPFUL. IF YOU WOULD LIKE TO REGISTER TO RECEIVE FUTURE UPDATES BY EMAIL THEN PLEASE SEND A REQUEST TO

info@4eyesltd.co.uk

This VAT update is published for the general information of 4 Eyes Ltd personnel, clients and contacts. It provides only an overview of the rules and regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material contained in this e-mail will be accepted by the authors or the firm.