

# VAT NEWS

November 2018



## Budget and Beyond

The 2018 Budget may have seemed light on VAT news but there were a number of issues that are of interest.

### Thresholds

As part of Making Tax Digital for VAT, we already knew that the thresholds for VAT registration and de-registration would be unchanged. Chancellor Philip Hammond announced that this would continue to be the case until April 2022.

### VAT Groups

It was announced that legislation would be introduced to enable non-corporate entities to become members of VAT groups. As ever with VAT groups there are strict criteria to be met but, should the circumstances fit your scenario, this is one to monitor.

In addition, HMRC have said that they will advise on cross-border service recharges that will be subject to reverse charge, even though they are within a VAT group.

### Unfulfilled Supplies

From March 2019, HMRC have said that they will introduce "consistency" into the area of charges/deposits retained by a supplier when the supply is unfulfilled. Essentially this is seen as a way of taxing the deposits retained by the hotel sector when a room is not taken.

### VAT Adjustments

Legislation will be introduced, requiring credit notes to be issued when there is an adjustment to the VAT due, following a reduction in the price payable.



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## Split Payments

There will be a consultation regarding plans to make the merchant acquirer responsible for collecting, and paying over, the VAT on certain online sales.

If you have any questions on how the VAT issues raised in the Budget may affect your business, please contact Ian Marrow.

## Reverse Charge for building and construction services

Announced last year and coming into effect on 31 October 2019, HMRC are to issue further guidance on reverse charges for building and construction services. Further details will be highlighted shortly.

## To Russia with VAT

Currently, a business based outside Russia, making supplies of electronic services to Russian-based businesses, is not required to register for VAT in Russia as the Russian recipient declares and pays the VAT due.

It has been announced that from 1 January 2019, the current rules will no longer apply and the non-Russian supplier will have to register and account for Russian VAT. Through our MGI network we are able to assist with advising businesses making such supplies, and also the practical steps to be taken when registering for VAT in Russia.

## Making tax digital – deferment for some

HMRC announced recently that a number of businesses will have the imposition of Making Tax Digital (MTD) deferred until 1 October 2019. These are:

- Trusts
- 'not for profit' organisations that are not set up as a company
- VAT divisions
- VAT groups
- public sector entities who are required to provide additional information on their VAT return (Government departments, NHS Trusts)
- local authorities
- public corporations
- traders based overseas
- those required to make payments on account
- annual accounting scheme users.

Even if your business is on this list, you should still be ensuring now that your accounting procedure is MTD



compliant to prevent disruptive changes in the next financial year.

Rickard Luckin has a dedicated team to assist you with making the transition to being MTD compliant. Please [click here](#) for further information

## Red Diesel Redemption

Duty on Red Diesel is significantly lower than it is on "normal" diesel. Whilst Red Diesel is used in commercial shipping it is not allowed for private pleasure craft. Both the UK and Ireland have a scheme whereby if a private pleasure craft uses Red Diesel, then the additional duty should be payable at the point of supply. The European Courts have ruled that the use of this system should be discontinued. It also noted that in Ireland, out of a potential 25,000 private buyers, there were only 40 instances of the additional duty being charged which indicated that the system "may not be effective".

## Brexit

Whilst the Government has made it clear that it intends to have a deal in place by 29 March, it has also this week produced a 50 page document explaining how businesses should treat cross border transactions for VAT and Duty purposes if there were to be no deal.

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# Meet the Tax team



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If you would like more information about our specialist VAT services please contact Ian Marrow

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Experience our exceptional service first-hand by contacting our friendly and professional team.

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