

# Constable VAT Consultancy

## Budget Focus 20 March 2013

### Increased registration and deregistration thresholds

The VAT registration threshold is to increase from £77,000 to £79,000 and the VAT deregistration threshold is to increase from £75,000 to £77,000. The registration and deregistration threshold for relevant acquisitions from other EU Member States will also be increased from £77,000 to £79,000. The increased thresholds will be effective from **1 April 2013**.

### Changes in Fuel Scale Charges

The legislation showing the amended figures can be found [here](#) and will come into effect for VAT periods beginning on or after **1 May 2013**.

### Change to Place of Supply Rule

For suppliers established in the EU, the place of supply for intra-EU (i.e. within the EU) supplies of telecommunications, broadcasting and electronic services is currently where the supplier is established. With effect from 1 January 2015 this will change to where the customer (consumer) is located. A "Mini One Stop Shop" (MOSS) will be established. This will enable affected UK businesses to remain VAT registered in just the UK but, through an IT system, account for other EU VAT due on a single VAT return. The scope of e-services is extensive so the number of businesses affected by this change may be significant.

### Review of Retail Export Scheme (Tax-Free Shopping)

HMRC intend to launch a consultation document in the summer of this year about the Retail Export Scheme. The aim will be to make the scheme simpler to use for retailer and consumer, whilst protecting the revenue, and will include the consideration of a digital version of the scheme.

### Changes to zero-rating of exports from the UK

HMRC will consult on changes to UK legislation. This is with a view to allowing UK suppliers to zero-rate indirect export sales to customers who are VAT registered in the UK, but who have no business establishment in the UK (currently an overseas customer who himself exports the goods cannot benefit from zero-rating if he is VAT registered in the UK).

### VAT treatment of refunds made by manufacturers

Legislation is to be introduced in the Finance Bill 2014 to "enable regulations" to allow manufacturers to make adjustments to their VAT payments to take into account of refunds they make directly to final customers. The refunds could relate to damaged or faulty goods or customer dissatisfaction. The government will consult with industry to get a better idea of practices in the sector. This appears to be an attempt to simplify the supply chain.

### Health Research Authority and Health Education England – continuing VAT recovery

Due to proposed changes in the Care and Support bill these two bodies will be included within section 41 of the 1994 VAT Act to ensure that they will be able to continue to claim refunds of VAT.

### Education – withdrawal of an exemption

HMRC's consultation on the withdrawal of the VAT exemption of supplies of research between eligible bodies has now closed. Whilst the Government plans to proceed with the removal of the exemption with effect from 1 August this year, it will consider implementing transitional reliefs.

### Education – an extension of the exemptions

Following a consultation about extending VAT exemption in the higher education sector to commercial entities, the Government recognises that there have been a number of "significant issues and concerns" raised by respondents. The Government will develop alternatives to those already proposed and consult again later in the year, with a view to implement into UK law at a later date.

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Thinking outside the box