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VAT News for 2012…

In this Article Debra Dougal, Chairman of the UK200Group Tax Panel gives a summary of some of the changes in VAT taking place during 2012.

Online filing

Online VAT filing has been with us for almost two years and on 1 April 2012 sees the final step to dispense with regular paper VAT returns. All businesses, irrespective of when they registered or their turnover, will be required to submit their VAT returns online from this date. The only exceptions are for insolvent businesses operating under a Voluntary Arrangement or taxpayers whose religious convictions prevent them from using computers. Beware this latter exception being used as a penalty defence, as HMRC state that this conviction must be backed by membership of a religious group upholding the same beliefs.

The first penalties for failing to file online were issued for paper returns submitted for period 03/11. These related to taxpayers who were required to file online from 1 April 2011. Businesses which are required to submit online returns from 1 April 2012 will not be liable to penalties until quarter ending 03/13. The penalty is between £100 and £400 per paper return, depending on the previous year's turnover.

Motor vehicles adapted for the disabled

From 1 January 2012 the concession allowing zero rating of vehicles adapted for the use of a disabled person where the adaptation is carried out after the vehicle has been supplied, has been withdrawn. This doesn't affect the zero rating of pre-adapted vehicles. A mirror concession for boats which are to be adapted for the use of a disabled person has also been withdrawn.

Sailaway Boat Scheme

Sticking with the transport theme, the Sailaway Boat Scheme which allows zero rating of a vessel to be removed and kept outside of the EU has been withdrawn for UK residents. A boat can still be obtained VAT free if the supplier undertakes the export on behalf of the purchaser and non EU residents can still use the Scheme to 'sail away' in their VAT free boats.

First time connection to gas and electricity mains supply

From 1 January 2012 first time connection to mains gas and electricity no longer automatically follows the liability of the supply of the gas and electricity. Broadly, VAT is due at the standard rate when the connection is carried out by someone other than the supplier of the power or when the connection to the mains is not part of a new build or conversion project.

Caravan site recharges

Another concession withdrawn from 1 January 2012 results in the recharge of business rates, water and sewerage charges following the liability of the main supply and so these will become standard rated for holiday/ leisure use. The first time connection to mains gas and electricity will also follow the liability of the main supply.

Salary Sacrifice Schemes

From 1 January 2012, VAT is due from employers on the amount of salary sacrificed by an employee in return for a taxable benefit. Predominantly these will be Cycle to Work Schemes or voucher schemes although not childcare vouchers which relate to an exempt benefit. Schemes in place prior to 28 July 2011 have remained VAT free unless the employee has had a salary or benefit review when they will become taxable from 1 January 2012. This looks like easy pickings for visiting VAT Officers so one to watch out for.

Cost Sharing Exemption

The one positive change for 2012 is the adoption in the UK of the cost sharing exemption. The UK version of this European exemption has many conditions and it is not yet clear how much real benefit can be derived, but the principle is that a group of businesses who are wholly or partly exempt or make wholly or partly non business supplies can form a cost sharing club which can then recharge costs to the club members without the addition of VAT. Legislation to implement the exemption will be in the Finance Bill 2012 and further guidance will be provided by the UK200 Group Tax Panel in due course.

And finally…

Let's not forget the introduction of VAT on single use carrier bags in Wales which actually came into force from 1 October 2011 but warrants a mention.

This list is not intended to be comprehensive but to provide a round up of a few of the more significant or unusual changes.

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UK200Group Talking Tax Q & As – January 2012

Members of our Tax Panel each month look at issues they have come across and share these with members and readers of UK200Group's *Talking Tax.*

This month's Q & As supplied by Barry Jefferd of George Hay …

Late Filing Penalties and ER Relief

Q I understand that the penalties for the late filing of Tax Returns have changed this year, and this may affect my tardy clients. What are the details?

A Most people have been aware that a £100 late filing penalty has been applied for electronic Tax Returns submitted after 31 January or for paper Returns submitted after 31 October. However for both types of Returns the penalties could not exceed the tax outstanding at 31 January. Therefore even if you could not complete your client's Tax Return, but if you could get them to pay a fair estimate which covered their eventual liability, no penalty could be charged.

This has all changed from the 2010/11 Tax Return and now if the Return is late a £100 penalty will be charged whether tax is due or not. In addition if the Return is submitted more than three months late, there is a penalty of £10 per day thereafter, up to a maximum of £900. The six month penalty is now £300. All of these figures are cumulative.

Therefore if a paper Return is submitted on say 5 February 2012, the penalty will be £100 for being late plus 5 x £10 for being more than 3 months late.

Therefore it is vital that your clients Tax Returns are submitted electronically. If need be, submit an estimated Tax Return. This is acceptable providing you clearly explain which figures are estimated, you have a valid reason for the estimation, and you indicate when the final Return will be submitted.

Q My client owns a plot of land he is using for storage equipment and machinery in his landscaping business, run by his limited company. He wants to sell it for development; can he get the 10% rate of Capital Gains Tax?

A The 10% rate of Capital Gains Tax applies if the disposal qualifies for Entrepreneurs' Relief (ER). In this case, as the land is owned personally, ER will only be available if it is an associated disposal, i.e. the land is sold at the same time as he makes a disposal of some or all of his shares in the company. I am assuming he is a director of the landscaping company, he holds at least 5% of the shares, he has held this for at least 12 months, and that the company has not paid a full market seat for the land.

If this is the case then ER can apply if a qualifying disposal takes place. This can take various forms. The easiest way in fact was for the company to cease to trade. The business can be continued to be run by your client as a sole trader. Albeit, it could be run by another company, say owned by your client and his wife. Once the original company has ceased to trade, you have up to three years to dispose of the land and make the claim for ER.

For further information on the above …
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UK200Group Tax Panel members are renowned for their depth of knowledge and can advise on all areas of taxation with special expertise and experience of multinationals, UK companies, privately-owned organisations, sole traders, family businesses, trusts, partnerships and private individuals. Straight forward general enquiries will be dealt with quickly and free of charge. More complex specific client enquiries may require a fee charge which will be discussed and agreed by both parties prior to any work being undertaken. Tax enquiries can be posted to www.uk200group.co.uk members' home page under Specialist Panels, Tax Panel Newsgroup. The Centre is alerted to all enquiries posted on the UK200Group web site.

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