

Driving Facts

VAT news

February 2009 / Issue 39



Professional service providers,
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VAT NEWS

Demonstrator Claim Update

Last chance to claim

As you will be aware, the final deadline for submitting claims in respect of VAT overpaid on demonstrator vehicles, daily hire and courtesy cars is 31 March this year. If your business or that of someone you know has not yet made a claim, it is really a case of act now or lose out. We are still taking on new cases but please do not put off contacting us until the 31st if at all possible, as although we will pull out all the stops to ensure your claim is submitted, it takes a certain amount of time to quantify and prepare each claim.

If we have already submitted a claim on your behalf, please do not be concerned if you have not received an update on its progress for a short while. HM Revenue and Customs (HMRC) are taking several months to process claims and delays are therefore unfortunately inevitable. If you do have concerns about the current status of your claim however, please contact us for further information.

Dissolved companies

We have undertaken many claims on behalf of companies which are no longer registered at Companies House. In order for claims to be lodged for these entities, the companies must be resurrected. This process can take a number of weeks and if these proceedings are not already underway, it is unlikely that they will be completed by 31 March 2009.

We understand that once resurrected the company is regarded as always having been in existence, however it is unclear what HMRC's response will be if the company is not resurrected by the claim deadline.

HMRC could seek to reject claims from companies not resurrected by the 31st March and although such a move would be challenged, we cannot at this stage be certain of the claim's success. Claimants who find themselves in this situation have several options on how to proceed and we recommend you contact us about your individual situation if this affects you.

Compound Interest / Group Litigation Order

The Group Litigation Order (GLO) hearing has taken place in the High Court this month. The judge has reserved his decision which means that he will deliver it in written form at a later date, probably within the next three months.

We will of course continue to update you of any developments in connection with the action as they arise.

Issue 39
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The parallel claim to the VAT Tribunal is still due to be heard in June, so this year should see further developments on the subject of compound interest.

Although ultimately the choice is up to you, we are not currently suggesting that new claimants sign up to the GLO at the moment as it would seem sensible to wait until the High Court judgement has been received.

If you would like further information about any aspect of the demonstrator VAT claims please contact us or our partners in this exercise Barnard Atkins Limited.

Change in Standard Rate of VAT – All Complete?

Hopefully, you will have now got to grips with the new standard rate of VAT of 15%. There are several areas however where you may have overlooked the effect on your VAT affairs of the rate change.

Fuel scale charge

Have you changed the fuel scale charge figure that you use to reflect private use of fuel purchased by your business? Although there has been no change to the amount of fuel scale charge itself, the rate of VAT that is to be applied to it and hence the amount of output VAT you declare on your VAT return has changed to 15% with effect from 1 December 2008.

If there is private use of demonstrator vehicles, you will also be declaring a demonstrator scale charge on your returns. There is no change to these figures if you use the rates which have been agreed with the RMIF.

Standard calculations

Do your VAT workings include calculations that occur every month which are formula based, for example in a spreadsheet? You may for example make an adjustment to your VAT return to reflect output VAT on deposits held at your quarter end, and then have the amount of VAT calculated automatically. Have you updated the formulas so that they now calculate VAT at the new rate?

Schedules of lease charges

It is normal for lease companies to issue a schedule showing the VAT element included in each rental payment for the coming year. If you have received a schedule prior to the rate change which covers a period after the rate change, your supplier should issue you with an amended schedule showing the updated VAT element. You should not claim VAT based on the original schedule for periods after 1 December 2008.

Fraud Warning

A new email scam attempting to obtain User ID and passwords for online services has been reported by the HMRC website.

The scam involves receipt of an email from onlineservices@hmrevenuecustoms.org that requests recipients to "update your account to the new EV SSL certification". Should you receive such an email HMRC have requested that you forward it to phishing@hmrc.gsi.gov.uk.

International Transactions

With the strength of other currencies against the pound, dealers are seeing an increasing number of foreign customers wishing to purchase vehicles in the UK to use in their home country. In certain cases these transactions can be zero rated for VAT purposes but only if the correct procedures are followed and evidence is obtained in relation to the sale. Dealers are ultimately responsible for deciding whether zero rating should apply, and as the amount of VAT at stake on a single vehicle can amount to several thousand pounds, this is obviously a high risk area which you must be comfortable with.

International transactions are notoriously complicated, so an article such as this cannot hope to provide absolute answers to each situation in which you may find yourself. Instead the intention is to make you aware of the main areas for consideration when dealing with these transactions so you know when you may need to ask further questions.

In this first article we will look at the situation where you are making supplies to someone based in the EC who will remove the vehicle from the UK. In VAT terms this is known as a dispatch.

If the supply is made to a customer who is VAT registered in another EC country it is usually possible to zero rate the sale as long as appropriate evidence of removal is obtained. We will cover what evidence is required in different situations in a later edition of VAT News but remember; the customer cannot be trading in the UK or keeping the vehicle permanently here as this would then be treated as just a normal standard rated sale.

You must obtain their VAT registration number and check its validity. You can do this by either telephoning HMRC or by putting the number in to

http://ec.europa.eu/taxation_customs/vies/. When a sales invoice is raised, this registration number should be shown on it prefixed by the relevant country code and your VAT registration number should be prefixed by GB. There should also be some wording that refers to why the sale has been zero rated, for example, "zero rated intra-EC supply". If the vehicle needs to be registered for road use in the UK prior to dispatch, form VAT 411A can be used to do this.

The situation is different if your customer is a private individual or a non VAT registered trader. In these circumstances, the transaction can only be zero rated if the vehicle qualifies as what is known as a New Means of Transport and form VAT 411 is completed. Generally speaking, a car is a New Means of Transport (NMT) if :

- the period that has elapsed since its first entry into service is less than 6 months; and
- it has, since its first entry into service, travelled under its own power for less than 6000 kilometres (3,729 miles).

The VAT 411 must be completed prior to the transaction taking place and certain other procedures must be followed at the time of sale. In addition, a NMT must be despatched within 2 months of sale.

In the next article in this series, we will look at what happens when your customer is from outside Europe. Overall though, if you have any doubt about a transaction, please give us a call for further advice.

Business Payment Support – a Reminder

In the last Tax News we outlined the new Business Payment Support service that has been introduced by HMRC. This service enables businesses to approach HMRC to agree a Time to Pay arrangement to allow them to delay or spread tax payments. This can provide breathing space in terms of cash flow in return for interest being charged on the outstanding debt. No penalties for late payment such as the VAT default surcharge are levied.

Several of our clients have taken advantage of this service including in relation to VAT and we have found that payment plans of fewer than three months often can be agreed over the phone. If a payment period exceeding this is required, further documentary evidence is usually requested.

Please contact us if you would like help approaching HMRC to arrange a payment plan or require assistance providing them with information.

If you have any queries on any of the subjects covered in this newsletter or on any other VAT matters please email us at vat@trevorjones.uk.com or call our helpline on 0161 475 4700.

These articles are of a general nature and specific advice should be obtained before they are acted upon. To subscribe to our Email alerts system please Email us at alerts@trevorjones.uk.com.