

BUDGET VALUE ADDED TAX

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20 MARCH 2013

SUMMARY

Unlike last year, there are no attention grabbing VAT changes in this Budget. Important developments continue apace however, driven by case law at both EU and domestic levels.

Registration Threshold

The VAT registration and deregistration thresholds will be increased in line with inflation so that with effect from 1 April 2013:

- the taxable turnover threshold which determines whether a person must be registered for VAT will be increased from £77,000 to £79,000;
- the taxable turnover threshold which determines whether a person may apply for deregistration will be increased from £75,000 to £77,000; and
- the registration and deregistration threshold for relevant acquisitions from other EU Member States will also be increased from £77,000 to £79,000.

Fuel Scale Charges

Fuel scale charges will be revalued with effect from 1 May 2013.

Place of supply

Amongst the budget releases HMRC have issued guidance on the changes to the VAT place of supply rules affecting telecommunications, broadcasting and e-services from 1 January 2015 and the introduction of the mini one stop shop. The mini one stop shop is an IT system that will give businesses the option of registering in just the UK and accounting for VAT due in other Member States using a single return.

General

Although the Chancellor chose not to make significant amendments to VAT in today's budget, an ever developing body of case law ensures the tax continues to change and in consequence offers new opportunities and challenges.

Significant recent cases include the Supreme Court's decision in Aimia Coalition Loyalty UK Ltd (previously Loyalty Management UK Ltd). The Court allowed the taxpayers claim for input tax on the Nectar points reward scheme. It also made some useful general comments on input tax recovery where third parties are involved, which may benefit other taxpayers.

The taxpayer was less successful in the Wheels Pensions case. The ECJ held that the pension funds which were the subject of the appeal are not 'Special Investment Funds' within the terms of the VAT Directive and therefore supplies of management services to them should not be exempt from VAT.

The GfBk case was also linked to special investment funds and in this case the ECJ confirmed that investment advisory services can fall within the exemption for such funds. It could be good news for many fund managers.

BAA Ltd appears to have finally reached the end of the road in its appeal against HMRC's decision to disallow VAT on bid costs relating the acquisition of BAA in 2006. The Court of Appeal was unanimous in disallowing the company's claim, concluding that the Bid Co incurring the fees was not carrying out an economic activity and there was an insufficient link between the costs and the taxable outputs of the BAA VAT group. The case highlights a number of points that need to be addressed when considering corporate acquisitions.

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