

BUDGET 2013/14

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Budget 2013 — VAT overview

Produced by Tolley 20/03/2013

This news item provides an overview of the VAT changes that were announced by the Chancellor, George Osborne, in the [Budget](#) on 20 March 2013. For announcements regarding other indirect taxes please see the [Budget 2013 — Indirect taxes](#) news item for more information. Further information can be found on the HMRC website [HMRC Budget — Indirect Taxes including VAT](#) . More information on the changes announced in Budget 2012 can be found in the following news item: [Budget 2012 — VAT overview](#).

VAT registration and de-registration thresholds

With effect from 1 April 2013 the following thresholds will apply:

- the VAT registration threshold will increase to £79,000
- the VAT de-registration threshold will increase to £77,000

VAT refunds for NHS bodies

As previously announced in the 2012 [Budget](#), the [Health and Social Care Act 2012](#) will exempt the following organisations from corporation tax and include them within the [VATA 1994, s 41](#) VAT refund scheme:

- the NHS Commissioning Board
- clinical commissioning groups
- National Institute for Health and Care Excellence, and
- Health and Social Care Information Centre

The Government also announced in Budget 2013 that the following bodies would also be included in the [VATA 1994, s 41](#) refund scheme and the relevant legislation would be included in the Finance Bill 2013 and 2014 respectively:

- Health Research Authority, and
- Health Education England (Finance Bill 2014)

Place of supply rules and a mini One Stop Shop (MOSS)

As previously announced the VAT rules regarding the place of supply of telecommunication, broadcasting and e-services will be amended with effect from 1 January 2015. From this date the place of supply for B2C sales will be the country where the customer belongs. The Government will introduce new legislation covering the revised VAT treatment of these services.

The Government announced in Budget 2013 that it will introduce a mini One Stop Shop with effect from 1 January 2015 that will give businesses the option of registering for VAT in the UK in order to

account for VAT due in other EU countries on supplies of telecommunication and broadcasting services, etc. Businesses will be able to VAT register under the MOSS scheme with effect from October 2014. This measure will be similar to the existing single online VAT registration procedure that can be used by non-EU businesses that provide B2C electronically supplied services within the EU. This measure will undoubtedly reduce the administrative burden that will be placed on businesses that supply these services across the EU to private or non-business customers. However, it is likely that the business will need to submit 8th Directive refund claims in order to recover any foreign VAT incurred if they do not VAT register. Please see the following document issued by HMRC for more information:

[Budget report](#) , 2.177

[Click here to view pdf](#)

Further details will be announced by the Government in due course and will be included in Finance Bill 2014.

More information on the existing VAT treatment can be found in guidance note [Hiring goods, telecommunication services and radio and broadcasting services](#).

Exports

In Autumn 2013 amended legislation will be introduced that will extend the zero-rating provisions to non-resident businesses that are VAT registered in the UK, who export goods located in the UK to non-EU countries. As per existing legislation, where a non-resident business is VAT registered in the UK, the purchase of the goods from a UK supplier will be liable to UK VAT because the zero-rating provisions have not been satisfied.

Under the amended legislation, it should be possible for UK VAT registered businesses that sell goods to overseas customers who are VAT registered in the UK to zero-rate the sale providing that they hold evidence that the goods have been exported to a non-EU country.

Please see the [Sales of goods to non-EU countries \(exports\)](#) guidance note for more information on exports and the types of evidence of removal that is required.

Manufacturer refunds

The Government has announced that it will introduce legislation that enables manufacturers to reduce their VAT payment to take into consideration any refunds (for discounts, faulty goods or customer complaints, etc) that have been made directly to the end consumer. A consultation will take place during 2013 that will allow affected businesses to comment on the intended changes and provide information on current industry practices before the revised legislation is introduced. The relevant legislation will be introduced in Finance Bill 2014.

Further information will be provided once the consultation document has been released.

VAT retail export scheme

The Government has announced that it intends to consult on possible options that could be implemented to amend the existing retail export scheme in order to make the scheme easier to administer and understand and to reduce errors. Please see the [Retail export scheme](#) guidance note for more information on the existing scheme.

Education and research exemption

In Budget 2012, a review of the VAT treatment of university degree education was announced and a [consultation document](#) was issued in 2012.

The review has been completed and a number of interesting issues were raised. The Government has indicated that it will take these into consideration when considering possible changes to the existing VAT exemption. Further information will be released by the Government later this year. In December 2012 a consultation document was issued on the withdrawal of the VAT exemption for business research that has been supplied by one eligible body to another. The Government has announced that, subject to the responses it received during the consultation period which ended on the 14 March 2013, it will introduce legislation withdrawing the exemption with effect from 1 August 2013. Please see the [consultation document](#).

Please see the [Supplies of education](#) and [Research and vocational training](#) guidance notes for more information.

Fuel scale charges

The Government announced in Budget 2012 that they intend to revise the existing VAT fuel scale charges in order to bring long standing concessions into law and to withdraw the concession for partly exempt businesses. The annual revalorisation will also be simplified.

The VAT fuel scale charge annual adjustment will take effect from 1 May 2013 to bring the charges in line with current fuel prices. Further details on the revised fuel scale charge will be provided when they have been released by HMRC.

Energy saving materials installed in a charitable building

The 2013 Budget confirmed that the reduced VAT rate will no longer be applied to energy saving materials that are installed in a charitable building. These supplies will be liable to VAT at the standard rate with effect from 1 August 2013. Please see the [Reduced VAT rate — supplies of energy saving materials](#) guidance note for more information.
[Budget report](#), 2.174

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