

Minutes of the 89th JVCC meeting held on Friday 8 November 2013

13:30-15:00 in The Auditorium,

1 Horse Guards Road, London SW1A 2HQ

1	Agenda Item 1 - introductions and apologies	Ian Stewart
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1.1 IS welcomed attendees, among them Michele Hood, new British Retail Consortium representative; Ian Fletcher, British Property Federation, deputising for Martin Scammell; and Peter Jenkins, representing the Charity Tax Group (CTG) at the CTG's first meeting as a member body of the JVCC.

A list of attendees and apologies is at appendix A.

2	Agenda item 2 – minutes of the last meeting; review of action points; matters arising	Ian Stewart Jon Riley
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2.1 Minutes of the meeting of Thursday 1 August had been agreed via correspondence and a copy was available on the HMRC website.

2.2 JR gave an update on the three action points from the last meeting. Details are in Appendix B along with action points from this meeting.

2.3 IS explained that due to ongoing discussions with HMRC VAT liaison groups it had not been possible to finalise the draft revised JVCC Terms of Reference. This would therefore be carried over until the next meeting.

3	Agenda item 3 – EU issues	Ian Broadhurst Angela Morton
	Commission Proposal for a Standard VAT Return	
	2015 Place of Supply Changes and the VAT Mini One Stop Shop	
	Update on the EU VAT Web Portal	
	Commission Consultation on Review of Existing VAT Legislation on Public Bodies and Tax Exemptions in the Public Interest	

Commission Proposal for a Standard VAT Return

3.1 IB advised that the current proposal represented a significant change in the Commission's thinking. Originally the intention was for a standard EU VAT return that would be optional for business. The current proposal was for a mandatory return which would apply to all businesses, not just those involved in cross-border trade.

3.2 The proposal provided for a mandatory minimum of 5 specified boxes on a return and a further 21 optional boxes (a maximum of 26 boxes in total) which a VAT return may have. The proposal also provided for the introduction of standard rules, for example on frequency of submission, timing of payments, error corrections, and length of return periods - with monthly returns as the norm. The comitology procedure would be used extensively to determine much of the technical detail, definitions, procedures, error correction mechanisms and the common electronic submission methods. Estimated cost savings and implementation costs for Member States were set out in a detailed Impact Assessment.

3.3 Although welcoming the Commission's focus on cutting red tape for businesses that want to trade with other EU countries, IB explained that the UK had concerns that the proposal could increase the burdens on business. Furthermore, the proposed use of comitology to decide much of the detail of the standard VAT return was at odds with the UK's position that tax matters should be decided by unanimity. The UK would continue to work with the Commission and other Member States to see if there were better ways to address business concerns, such as the provision of clearer information about the VAT declaration process across the 28 EU Member States.

3.4 IB invited the views of JVCC members on the current proposal. RC asked about the effect the proposal was likely to have on the UK's current Payment on Account regime, while JO flagged up concerns that the proposal would mean a requirement on large businesses to submit monthly VAT returns. IB explained that the default position was monthly returns for all businesses, but that there might be scope for the current UK model to continue. He also acknowledged the potential impact of a standard VAT return on both non-standard accounting periods and the "extra" 7 days the UK currently allowed for the submission of the return and payment. All of these issues and many other areas of the proposal would be subject to long and detailed negotiation in Council.

3.5 TS expressed concerns that a standard VAT return would significantly increase administrative burdens for local authorities if section 33 recovery could no longer be included with input tax. IB said that HMRC would take this point on board. AMc raised more general concerns about increased compliance costs for business. Although supportive of the initiative to enhance the provision of information, IB explained that there was no appetite on the part of the UK for increasing the number of boxes on the VAT Return.

3.6 RS asked about implementation costs. IB said that further work on costings was needed but the current estimate, based on figures from a narrow number of Member States, was an average cost of £30.5m for each Member State, which equated to £800m to £1bn across the EU.

3.7 HD said that the One Hundred Group welcomed the proposal which would be beneficial to businesses registered in multiple states across the EU. TS said that an optional EU VAT Return would have made more sense. IB explained that this had been considered but the cost to each Member State of administering two VAT returns would have been prohibitive.

3.8 IB thanked JVCC members for their feedback and said HMRC would be happy to consider any approach to meet with stakeholder groups or business for further discussion of the Commission's proposal.

2015 Place of Supply Changes and the VAT Mini One Stop Shop

3.9 From 1 January 2015, all businesses in the telecoms, broadcasting and e-service sectors selling to UK customers will have to apply the UK rules and pass on VAT to the UK Government at the UK rate. Although the VAT Mini-One Stop Shop (MOSS) registration and declaration system should help significantly to minimise compliance burdens, IB explained that it was still the case that from 1 January 2015 businesses would potentially need to understand and comply with the rules of all 28 Member States.

3.10 To assist in this process, the Commission had brought forward an amendment to the existing VAT Implementing Regulation. This amendment had now been agreed and published and should help to ensure the consistent application across the EU of the forthcoming place of supply changes. HMRC was continuing to engage in extensive discussions with UK business about the practical application of the 2015 changes and was about to hold its first dedicated SME Working Group

meeting, aimed specifically at small businesses likely to operate a MOSS registration, in the week commencing 11 November.

3.11 EU-level plans for implementing the VAT MOSS were broadly on track and there was an expectation that a fully-functioning system would be in place in most Member States on 1 January 2015. In October, the Commission published on its website some detailed guidelines about how the MOSS system will function. The guidelines supplement the already adopted EU MOSS legislative Directive and Implementing Regulations. Additionally, HMRC will soon have dedicated 2015 place of supply pages on its website and will shortly publish detailed information about the forthcoming place of supply changes and the MOSS system.

3.12 DC asked whether the VAT treatment of vouchers would be covered in the new HMRC guidance on place of supply. IB advised that although discussions on vouchers were ongoing it was not clear if a single view would be reached by 1 January 2015. He alerted DC to an HM Treasury stakeholder meeting on vouchers on 28 November and would arrange for DC to receive an invitation.

Update on the EU VAT Web Portal

3.13 The development of an EU VAT Web Portal was seen as a very important Single Market trade facilitation and taxpayer compliance initiative and was fully supported by the UK. In order to identify the VAT information to be published on the portal, as well as the best technical delivery solution, late last year the Commission asked a consultancy firm, Ramboll, to undertake research and to consult a wide range of businesses about their needs.

3.14 Ramboll submitted its report to the Commission in the summer and this had now been circulated to the business and tax authority members of the EU VAT Forum for discussion at their next meeting in December. These developments were welcomed by the UK, although concerns remained that because of the time needed to implement any agreed IT solution, a fully functioning EU VAT Web Portal might not be available for businesses to use until late 2015 or early 2016.

Commission Consultation on Review of Existing VAT Legislation on Public Bodies and Tax Exemptions in the Public Interest

3.15 IB alerted JVCC members to this consultation and encouraged any interested parties to feed in comments before the 14 February closing date. The consultation was essentially of a technical nature and the clear message from the Commission

was that no decision had been taken as regards the principle and context of any future legislative proposal.

3.16 PJ drew the attention of JVCC members to reform Option 2 in the consultation paper which proposed a uniform refund system for input VAT that would apply to all public bodies and other providers of activities in the public interest. The UK already had such schemes in place and the CTG had been involved in discussions with the Commission about an acceptable design of a national refund scheme. He said that the outcome of those discussions had already been shared with HMRC and HM Treasury.

4	Agenda item 4 – Mandatory Online Filing of VAT Returns: Recent Tribunal Decisions	Paul Riley
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4.1 PR provided JVCC members with some background to the recent decisions in four First-tier Tribunal cases, two of which had gone against HMRC. In one of these, *Bishop*, the Tribunal had ruled that the regulations requiring businesses to file VAT returns electronically had failed to take account of the ability of digitally excluded customers to comply with this requirement and that this had constituted a breach of the European Convention on Human Rights (ECHR). In the other case, *Blackburn*, the Tribunal held that HMRC had again failed to conform to ECHR in interpreting too narrowly the religious provision in the regulations and not granting the appellant exemption. HMRC had until 25 November to decide whether to appeal and will communicate that decision as soon as possible thereafter.

5	Agenda item 5 – Issues for discussion raised by JVCC members	
	Processing Times for VAT Group Registrations	Paul Riley
	Processing Times for VAT Registration Applications from Non-Established Taxable Persons	Paul Riley
	Option to Tax Notifications	Paul Riley

5.1 RC raised concerns about lengthy delays in the processing of registration applications from both VAT groups and non-established taxable persons. She explained that it had also proved difficult to get updates from HMRC on the progress of applications. PR said that the current average processing time for VAT group registrations was 20 days and that over half of all applications were at present subject to manual checks. However, a review of the VAT group registration process

was ongoing and HMRC was confident that this would lead to an improved performance. In addition, there had been a recent increase in resource at Grimsby VAT Registration Service (VRS) which was expected to bring down waiting times.

5.2 The Non Established Taxable Persons Unit (NETPU) currently had a six week backlog of cases but work was underway to reduce this to two weeks by the end of the year or sooner. PR advised that changes to the process were being worked through that could reduce turnaround times significantly and he expected to be in a position to paint a better picture by the time of the next meeting.

5.3 RC also reported longer than expected acknowledgement times for Option to Tax notifications. PR explained that in the short term measures were in place to mitigate current delays and HMRC would welcome feedback from JVCC members about the effectiveness of these. In the longer term, system enhancements were expected to alleviate the problems.

5.4 It was suggested that an electronic acknowledgement from HMRC that an Option to Tax notification had been received would be useful and could be provided as evidence to solicitors. PR said he would take this away and look into it.

AP5/13: PR to look into the possibility of an automated response from HMRC to acknowledge receipt of Option to Tax notifications

6	Agenda item 6 – Any Other Business	Dean Carey
	• HMRC Complaints Handling	

6.1 In advance of the meeting, and with the consent of DC, JR had circulated to JVCC members an email from DC setting out concerns about aspects of HMRC's complaints handling procedures. With reference to this, DC asked if other JVCC members shared his views about issues such as a need for HMRC to better establish the facts of a complaint before an investigation takes place, and the need for greater clarity about the criteria against which HMRC assesses complaints.

6.2 It was agreed that a substantive item on complaints handling should be added to the agenda for the next JVCC meeting. To inform this discussion, IS asked members to let JR have any anonymised examples of cases where they thought that HMRC could have handled the complaint better. Further to the email from DC, it was also agreed that an item on HMRC's guidance on incorrect advice to customers should be included on the next JVCC agenda.

7	Agenda item 7 – Review of Meeting	
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7.1 The switch to the Auditorium as the venue for meetings was welcomed by JVCC members.

7.2 In response to a suggestion from RC, IS said that an update item on HMRC's Agent Strategy would be included on the agenda for the next meeting.

7.3 The next meeting will take place on Thursday 6 February 2014.

Appendix A

JOINT VAT CONSULTATIVE COMMITTEE (JVCC)

(Meeting no 89)

Friday 8 November 2013

13:30-15:00, Auditorium

1 Horse Guards Road, London SW1A 2HQ

External Attendees

Casey Baird (CB)	Finance and Leasing Association
Dean Carey (DC)	Association of Chartered Certified Accountants
Rhiannon Churchill (RCh)	Institute of Chartered Accountants in England and Wales
Ruth Corkin (RC)	VAT Practitioners Group
Helene Dinsdale (HD)	One Hundred Group
Ion Fletcher (IF)	British Property Federation
Leigh Francis (LF)	London & International Insurance Brokers Association
Fiona Heron (FH)	Finance and Leasing Association
Tony Jackson (TJ)	The Chartered Institute of Taxation
Peter Jenkins (PJ)	Charity Tax Group
Alex McDougall (AMc)	The Institute of Chartered Accountants of Scotland
Alex Millar (AM)	Association of Accounting Technicians
Julian Ogden (JO)	VAT in Industry Group
Richard Sharp (RS)	The Chartered Institute of Management Accountants
Trevor Steel (TS)	Chartered Institute of Public Finance & Accountancy
Stephen Taylor (ST)	Association of Taxation Technicians

Apologies

Tariq Oozeerally	Association of International Accountants
Steve Pautard	Association of British Insurers
Philip Peberdy	Confederation of British Industry
Martin Scammell	British Property Federation

HMRC/HMT Attendees

Ian Stewart (IS)	Director, Indirect Tax Directorate
Jon Riley (JR)	JVCC Secretary, Indirect Tax Directorate
Ian Broadhurst (IB)	Indirect Tax Directorate
Paul Riley (PR)	Indirect Tax Directorate
Angela Morton (AMn)	HM Treasury

Appendix B

Current position on JVCC action points

AP ref	Detail	Current position
Action points from the meeting on 1 August 2013		
AP2/13	RB to send out a note to JVCC members inviting expressions of interest in joining the VAT Clearances Joint Working Group and to set up a meeting once membership of the Group has been finalised	A note was circulated to JVCC Members on 4 November along with a copy of draft Terms of Reference for the Joint Working Group. A meeting will be set up early in 2014.
AP3/13	JR to check whether HMRC has plans to publish an RCB following the High Court decision in GSTS Pathology LLP	There are no plans to issue an RCB in the light of this decision
AP4/13	JR to seek clarification as to whether the ECJ judgment in Medicom & Maison Patrice Alard will give rise to a policy change in this area	HMRC has no plans to change its policy at this time
Action points from the meeting on 8 November 2013		
AP5/13	PR to look into the possibility of an automated response from HMRC to acknowledge receipt of Option to Tax notifications	