

Minutes of the 103rd JVCC meeting held on 18 September 2017

14:00

Chartered Institute of Taxation (CIOT), 11-19 Artillery Row, London SW1P 1RT

	Agenda Item 1: Welcome and introductions	Ruth Stanier
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Ruth Stanier (RS) thanked CIOT for hosting the meeting. She asked other members to let the secretariat know if they were potentially interested in hosting future meetings in case a room in Parliament Street/Horse Guards' Road could not be booked. Introductions were made and RS welcomed new attendees.

	Agenda Item 2: Minutes of Last Meeting	Ruth Stanier
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The minutes of the meeting held on 10 July 2017 were agreed, with two minor amendments to the guidance item (to ensure factual accuracy).

The action points from the previous meeting were reviewed and all were closed as already dealt with, or on the agenda for discussion.

	Agenda Item 3: Making Tax Digital for Business	Oliver Fisher
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Oliver Fisher (OF) from HMRC Transformation took the committee through a presentation which set out the current position, future plans and an overview of the VAT changes in the Making Tax Digital programme. He reminded the committee of the Financial Secretary to the Treasury's (13 July) Written Ministerial Statement on the 2017 Finance Bill. This announced changes to the planned scope and timetable of Making Tax Digital for Business (MTDfB). Since then, the Finance Bill, secondary legislation and a VAT overview had been published in September. OF explained that from 1 April 2019, businesses over the VAT threshold will be required to keep their records digitally and supply the 9 box VAT return data via API (Application Programming Interface) enabled software. The APIs are being developed using the lessons learnt from income tax APIs.

The timetable is planned to allow a full year for testing. The intention is to consult on draft regulations around Christmas time so that the legislation and APIs can be firmed up by Easter 2018. Extensive engagement is planned, including an early meeting with the relevant JVCC sub-group on 10 October, and OF asked for feedback on what should be done to prepare businesses for the planned changes.

Members raised a number of questions and issues. OF responded that the benefits of MTDfB in relation to small business (preventing tax being lost through error) were

different from the benefits for larger businesses (where MTDfB primarily presented opportunities for greater integration/automation of systems). The prevention of errors made in HMRC's favour as well as those made in businesses' favour had been taken into account in HMRC's estimate of the benefits. OF explained that spreadsheets are 'digital records' and that the changes are unlikely to be that significant for businesses that already keep their financial records digitally. Members asked about the manual calculations (sometimes complex) and consolidation of figures preparatory to producing the 9 figures for VAT returns. OF said that software developers would be encouraged to consider ways of making these digital, but it was not currently envisaged that the processes at this stage would need to change. The timing of MTDfB being introduced alongside the UK exiting the EU was noted. OF explained that charities' trading subsidiaries are, and always have been, in the scope of MTD. Otherwise, he said that he thought charities were exempt, but since the meeting this has been checked and it can now be clarified that all charities with taxable turnover exceeding the VAT registration threshold will be mandated for MTD.

	Agenda Item 4: Brexit Update	Sally Beggs
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Sally Beggs (SB) gave a brief update on developments since the last meeting including papers published on 15 August: '*Future customs arrangements - a future partnership paper*' and 16 August: '*Northern Ireland and Ireland - position paper*'.

Much is still dependent on the negotiations, although the Chancellor had made clear that an interim period was desirable to provide certainty for business. SB flagged that the Prime Minister would be making a speech about Brexit on Friday (22 September) in Florence and that should be of interest to everybody. SB explained that a huge amount of work was going on across HMRC and HM Treasury with a view to ensuring as much continuity and certainty in the tax and duties arrangements as possible. A White Paper and a Bill covering customs and indirect tax matters were expected in the Autumn.

Following up on an Action Point from the July meeting, Ian Broadhurst explained the status of VAT Committee guidelines. They are not legally binding on Member States or the Commission, and are not always agreed with unanimous support from the Committee.

	Agenda Item 5: EU Update	Ian Broadhurst
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Ian Broadhurst (IB) reminded the committee that while the UK prepares to leave the EU, the rights and responsibilities of membership remain. The UK is involved in, and has an interest in the outcome of, current discussions. The Estonian Presidency is very active with a large number of meetings planned at a challenging pace. A proposal on the 'Definitive System' is expected in October, and proposals on rates and SMEs are expected before the end of the calendar year.

On the Digital Single Market proposal, IB explained that the ‘2018 changes’ were broadly in line with UK thinking but implementation in 2018 looked unlikely given the probable difficulty in reaching agreement in time on the overall package.

IB saw the proposed ‘2021 changes’ (extending the mini one stop shop to B2C goods and services, reduction of the distance selling thresholds and abolishing low value consignment relief) as more contentious and difficult. He reported that there had been a move in Council to introduce high-level text in the proposal which would, in principle, make marketplaces directly liable for sales of B2C goods made by non-EU sellers. No conclusions have been reached and no decisions made. Any agreement would be subject to unanimity. IB drew attention to the link to OECD work underway on the role of intermediaries, in which the UK is participating.

	Agenda Item 6: Business Tax Operations	David Millar
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David Millar (DM) updated the committee on the future locations of VAT Customer Services. He explained that the option to tax webinar had been well attended (400 +) and generally well received. Some customers found it too technical and others wanted more technical detail.

DM distributed, and took the committee through, the operational performance dashboard. He explained that delays in registration cases requiring further checking (92.6% within 30 days against a 95% target) were largely due to increased applications from non-established taxable persons. Members had raised concerns about delays in receiving non-statutory clearances. DM explained the position on the ongoing migration of the work from Southend to Glasgow. This had also impacted general enquiries, although emails were being responded to more quickly than hard copy letters. Teams were now fully resourced but more up-skilling was needed in Glasgow, and performance levels were expected to continue to improve over the remainder of this financial year. DM asked members to do all they can to ensure that clearance applications comply with the ‘Annex D’ checklist and meet the requirements for a non-statutory clearance laid out in www.gov.uk.

DM reported that the option to tax (OTT) unit had significantly increased its resource and all of these new staff were now trained. Timeliness had dipped which had led to a lot of progress chasing telephone calls. Cases were taking around 55 days. DM explained that there was an escalation process if evidence from both parties to a transaction showed that an urgent response was needed in advance of a transaction taking place.

Members provided further feedback on customer service levels, planning for work location change and issues about the OTT phone line (including the facility to leave a message if the call could not be taken). Martin Scammell suggested response times could be improved by automating the response and by the OTT unit understanding that, in general, they are not required to approve the option notification. The notification simply needs to be made and it is helpful for HMRC to acknowledge that it has been received.

Action Point: BTOPs to update at the next meeting on response times and issues with the option to tax unit's telephone response service.

	Agenda Item 7: Guidance Update	Richard Bowyer
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Richard Bowyer (RB) gave an update on guidance improvements. He described the work his team were doing to address the problem of pages missing from manuals and to continue updating or removing old references to press notices, information sheets and so on that are no longer available or extant. The changes to Notice 708 discussed at the last meeting were being prioritised by the policy team.

RB also explained that the work to create links within GOV.UK between VAT manuals and notices is on hold as Government Digital Service have started a new programme grouping and transforming content on GOV.UK. They have blogged about this: <https://insidegovuk.blog.gov.uk/2017/07/10/gov-uks-content-operating-model-what-we-learned-and-whats-next/>

Feedback to the HMRC Customer Experience team's email address is still very welcome (customerexperience.indirecttaxes@hmrc.gsi.gov.uk). The Committee commented positively on the responsiveness of this team.

	Agenda Item 8: Issues raised by JVCC members	
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Working practices of sub committees – (this had been raised by Peter Dylewski in the July meeting). The HMRC paper circulated in advance of the meeting was discussed. This set out the structure of the JVCC, its sub-groups and standing liaison groups. RB explained that HMRC's preference was for minutes to be published whenever appropriate. However, HMRC's policy is communicated in our guidance products and meeting minutes are not a substitute for this.

Members expressed the view that sometimes minutes could fill a 'policy gap' while guidance is being written or updated. RS suggested that it would be useful to identify the priority issues where work on updating guidance needed to accelerate. CIOT had written to HMRC about these issues and RS asked them (and other members) to identify, as a starting point, the top 3 issues on which they would like HMRC to prioritise work to update guidance.

Action Point: Members to identify the top 3 issues on which they would like HMRC to prioritise work to update guidance, and notify the secretariat.

Pre-repayment checks on overseas VAT refund claims (raised by Mark Hammond-Giles in the July meeting)

RB explained that HMRC continues to receive high volumes of ineligible claims and are currently dealing with a substantial fraud. He reported a continued apparent

misunderstanding among overseas businesses that just because they have incurred UK VAT, this does not necessarily mean that they can recover it. Supporting evidence is still often lacking, and is required in the same way as is necessary for a claim for input tax on a UK VAT return. HMRC are keen to engage with industry representatives to further explore concerns raised and help overseas businesses and their agents better understand the sort of information/evidence they should be providing to support a valid claim. Input from the JVCC will be welcome as engagement progresses.

	Agenda Item 9: Issues Log	Richard Bowyer
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RB took the committee through the presentational changes made and these were agreed with the helpful suggestion to add a contents page. It was agreed that all pending issues could be closed and that closed issues should be archived into a separate document. Dean Carey noted that he did not agree with HMRC's response on the advance notification of registration issue, but would not pursue the point further.

	Agenda Item 10: AOB	
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RS reminded members of HMRC's request that organisations share an email message on Digital VAT Retail Export Scheme with their networks, so as to maximise engagement on this issue.

Graham Elliott asked about the *Sveda* case which had been discussed at the last meeting. HMRC had decided to postpone issuing any guidance or statement pending the outcome at the CJEU of the *Iberdrola* case. Graham advised that the *Iberdrola* judgment was now published. *Post-meeting note:* HMRC plans to circulate a JVCC discussion paper (mid-late October) setting out their view of recent business/non-business litigation and its policy thinking at quite a high level. Following comments from JVCC members, if there is sufficient interest, a sub-group meeting will be convened (late November).

Martin Scammell raised the VAT Avoidance Disclosure scheme. Draft guidance on the new Indirect Tax Avoidance Disclosure Regime (DASVOIT) was circulated to members for comment after the meeting (on 20 September).

Ruth thanked everyone for attending and looked forward to seeing them at the next JVCC meeting.

Next meeting: 9 January 2018, 14:00, 100 Parliament Street.

Appendix A

JOINT VAT CONSULTATIVE COMMITTEE (JVCC)

(Meeting number 103)

18 September 2017, 14:00.

Chartered Institute of Taxation, 9-11 Artillery Row, SW1P 1RT

Attendees	
Peter Dylewski	Chartered Institute of Taxation
Tony Jackson	Chartered Institute of Taxation
Angela Fearnside	Chartered Institute of Taxation
Jayne Simpson	Chartered Institute of Taxation
Sarah Bagley	Chartered Institute of Public Finance and Accountancy
Nancy Cruickshanks	Association of Tax Technicians
Graham Elliot	Charity Tax Group
Mark Hammond-Giles	Confederation of British Industry
Julian Ogden	VAT in Industry Group
Dean Carey	The Association of Chartered Certified Accountants
Susan Cattell	The Institute of Chartered Accountants in Scotland
Martin Shah	The Law Society
Nic Davison	Chartered Institute of Management Accountants
Fiona Heron	Confederation of British Industry
Mark Austin	Finance and Leasing Association
George Anastasi	Finance and Leasing Association
Rebecca McKerral	VAT Practitioner's Group
Martin Scammell	British Property Federation
Ion Fletcher	British Property Federation
Nick McChesney	The Institute of Chartered Accountants in England and Wales
Philip Ford	Association of International Accountants

<i>HMRC/HMT</i>	
Ruth Stanier	Customs and Indirect Tax Directorate
Sally Beggs	Customs and Indirect Tax Directorate
Eileen Patching	Customs and Indirect Tax Directorate
David Millar	Business Tax Operations
Richard Bowyer	Customs and Indirect Tax Directorate
Ian Broadhurst	Customs and Indirect Tax Directorate
Oliver Fisher	Transformation
Morag Briant	Process, Design and Excellence
Mike Cunningham	HM Treasury
Apologies from	
Andrew Plant	Finance and Leasing Association
David Jordorson	Association of British Insurers
Leigh Francis	London and International Insurance Brokers
Amy Cropper	The Investment Association
Brian Palmer	Association of Accounting Technicians