

## Minutes of the 105<sup>th</sup> JVCC meeting held on 18 April 2018

14:00

CIOT Offices, 1<sup>st</sup> Floor Artillery House, 11-19 Artillery Row, London, SW1P 1RT

	<b>Agenda Item 1: Welcome and introductions</b>	<b>Ruth Stanier</b>
--	-------------------------------------------------	---------------------

Ruth Stanier (RS) welcomed everyone to the meeting and thanked CIOT for their hospitality. Introductions were made and RS welcomed Alomgir Ali, the new Deputy Director based in Liverpool.

	<b>Agenda Item 2: Minutes of Last Meeting</b>	<b>Richard Bowyer</b>
--	-----------------------------------------------	-----------------------

The minutes of the meeting held on 9 January 2018 were agreed.

The action points from the previous meeting were reviewed and closed. Richard Bowyer (RB) explained that it was not possible to produce partial exemption special method (PESM) approval performance data that would give a true picture of the time taken to agree methods.

	<b>Agenda Item 3: EU Exit Update</b>	<b>Sally Beggs</b>
--	--------------------------------------	--------------------

Sally Beggs (SB) gave an update on EU Exit developments since the last meeting; the most significant of which was the announcement at March Council that the UK and EU have reached an agreement on the terms of a time-limited Implementation Period ending on 31<sup>st</sup> December 2020. The Committee welcomed the Implementation Period.

A number of specific policy issues were discussed in relation to the Implementation Period. SB explained that during the Implementation Period common rules will remain in place until the end of the period meaning businesses will be able to trade on the same terms until the end of 2020.

The European Councils in June and October 2018 will be key milestones going forward. HMRC and HMT are involved in the negotiations.

	<b>Agenda Item 4: EU / International Update</b>	<b>Neville Trout</b>
--	-------------------------------------------------	----------------------

Neville Trout (NT) gave an update on the seven EU proposals currently under discussion, and explained that a further three are expected by the end of the year.

The key current proposals are;

- VAT Rates. The proposal reflects the reality that most supplies are taxed in the Member State of consumption meaning that there is less of a case now for restrictions on rates and structures. Discussions are not expected to be quick or easy.
- SMEs. Key points include; a maximum registration threshold of €85,000 (this is £10,000 lower than the current UK threshold); a 'period of grace' tolerance of 50% above the threshold in the calendar year; annual accounting with one payment is the proposed default for businesses under €2 million turnover; simplifications for those under €2 million turnover include (simplified invoices and simplified storage of accounts); small businesses not established in a member state would be able to take advantage of the domestic registration threshold of overall turnover in the EU of €100.000.
- The Definitive system. This would mean taxation of cross-border B2B supplies by the supplier at the rate applicable in the member state of consumption, which would replace the current system of zero-rating cross-border supplies. There would be an extension of the One Stop Shop simplified declaration and accounting services system. The proposal would be implemented in two stages with non-certified taxable persons adopting the new rules first.

	<b>Agenda Item 5: Making Tax Digital for VAT</b>	<b>Heather Elliott</b>
--	--------------------------------------------------	------------------------

Heather Elliott (HE) shared a paper updating the committee on developments since the last meeting and discussions in the JVCC MTD sub-group.

HE thanked members for responses to the consultation, which did lead to amended regulations. A further draft of the Notice has been issued to stakeholders for feedback, prior to finalising this in May.

HE explained that HMRC is working closely with a variety of software developers to ensure that software is available that will help businesses get their VAT right. The VAT pilot is now at the 'controlled go live' stage meaning that businesses are being invited to test the live service.

Communications Partner packs are being prepared so that representative bodies can share key messages with their members. MTD webinars are proving popular and the plan is to run more.

A number of members asked questions and concerns were voiced about the time available to prepare for the change.

HE asked members to email her their questions (this can be via JVCC secretariat) and these will be answered in the papers for the July 2018.

**Action Point:** Members to send questions to HE (via secretariat) and answers to be provided at the next meeting.

	<b>Agenda Item 6: Making Tax Digital for Agents</b>	<b>Nel Hargrave</b>
--	-----------------------------------------------------	---------------------

Nel Hargrave (NH) led a discussion on the MTD service being provided for agents. NH explained that the aim is for all agents to sign up and that around six thousand already have. The process takes ten to fifteen minutes to complete and creates a Government Gateway account.

More detailed information was provided in a Power Point presentation which had been sent to members prior to the meeting and which Nel offered to go through with any members who would find it helpful.

Members were interested in a number of features of the service and especially in the issue of agent authorisation. Nel explained that there was a digital authorisation service for ITSA which would be rolled out for VAT in the coming months. The committee recognised the potential benefits of this in resolving long-running concerns about agent authorisation for VAT.

NH asked members to email her their questions (this can be via JVCC secretariat) and these will be answered in the papers for the July 2018 meeting.

**Action Point:** Members to send questions to NH (via secretariat) and answers to be provided at the next meeting.

	<b>Agenda Item 7: OTS VAT Review - Recommendation 17 (Engagement)</b>	<b>Richard Bowyer</b>
--	-----------------------------------------------------------------------	-----------------------

Richard Bowyer (RB) led a discussion on recommendation 17 of the Office of Tax Simplification's (OTS) VAT review (report published November 2017). In discussion with OTS he had identified that, while the JVCC was generally seen as effective, there were concerns about it being a bit exclusive and London based. The view of members was that the committee was very representative of businesses and agents and did not entirely accept the OTS view. In order to increase awareness and accessibility a number of ideas were suggested including:

- A JVCC webinar;
- Using Talking Points to promote awareness;
- Televising proceedings;
- Regional meetings combined with visits to specific HMRC functions.

In terms of the overall effectiveness of the JVCC, the idea of separating consideration of operational issues from the consideration of strategy/policy was suggested and it was felt should be explored further. A review of the terms of reference was also seen as a good idea.

**Action Point:** Richard Bowyer to develop proposals to address the OTS comments and improve effectiveness of the JVCC and bring these to the next meeting.

	<b>Agenda Item 8: Cost Sharing Exemption. Revenue and Customs Brief 3 (2018)</b>	<b>Helen Ramsden / Don Bryant</b>
--	----------------------------------------------------------------------------------	-----------------------------------

Helen Ramsden (HR) and Don Bryant (DB) explained that decisions of the CJEU had caused HMRC to review the Cost Sharing Exemption as set out in Revenue and Customs Brief 3 (2018).

The principal changes resulting from the litigation were the restriction of the exemption to cost share groups providing services in the social exemptions, and the exclusion of members based in other EU member states from exemption.

Observations were welcome in particular on the impact of the changes on housing associations and the test for directly necessary services which currently ignores the use of costs for up to 15% of non-qualifying activities.

There was a helpful discussion about the policy options in responding to the CJEU cases and experience of what other member states were doing was shared.

	<b>Agenda Item 9: Business Tax Operations Update</b>	<b>David Millar</b>
--	------------------------------------------------------	---------------------

David Millar (DM) took the committee through the operational performance dashboard. DM re-iterated that VAT Clearances staff are being upskilled and the expectation is that by the end of June normal service levels should be restored. The Option to Tax Unit was performing much better now with performance issues focussed on belated notifications. The position should be recovered by the end of September.

Some members raised specific issues including registration for property developers / intending traders and the quality of clearance responses. Members should send concerns to the Secretariat for managing through the JVCC issues log.

	<b>Agenda Item 10: Guidance Update</b>	<b>Richard Bowyer</b>
--	----------------------------------------	-----------------------

Richard Bowyer (RB) explained that the process of guidance transformation had now led to a number of VAT Notices being published in the new format. A list of the transformed Notices was distributed.

He highlighted the fact that comments on the Notices were now invited to the Product Customer Experience Team's email inbox, and that this must not be used to ask enquiries as no response would be issued. RB also mentioned that the issues log had been updated and reissued with the meeting papers.

	<b>Agenda Item 11: AOB</b>	<b>All</b>
--	----------------------------	------------

Ruth Corkin asked if there had been a change in policy on vocational training and if a compliance campaign of some sort was under way. Helen Ramsden confirmed that there had been no change in policy and that she was unaware of any special compliance focus on this activity.

Peter Dylewski (PD) asked if there was a compliance initiative focused on transfers of going concerns (TOGC) in the property sector and said that it would be helpful for the JVCC to be informed of such things.

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

**Next meeting: 10 July 2018, 100 Parliament Street London (14.00).**

## Appendix A

### JOINT VAT CONSULTATIVE COMMITTEE (JVCC)

(Meeting number 105)

18 April 2018, 14:00.

CIOT, 1<sup>st</sup> Floor Artillery House, 11-19 Artillery Row, London, SW1P 1RT

<b>Attendees</b>	
Peter Dylewski	Chartered Institute of Taxation
Jayne Simpson	Chartered Institute of Taxation
Martin Shah	The Law Society
David Jordorson	Association of British Insurers
Patrick Ronan	VAT in Industry Group
Simon Nathan	British Property Federation
Nancy Cruickshanks	Association of Tax Technicians
Brian Palmer	Association of Tax Technicians
Graham Elliot	Charity Tax Group
Susan Cattell	The Institute of Chartered Accountants of Scotland
Nick McChesney	The Institute of Chartered Accountants of England and Wales
Sarah Bagley	Chartered Institute of Public Finance and Accountancy
Nic Davison	Chartered Institute of Management Accountants
Fiona Heron	Confederation of British Industry
Lee Hurst	One Hundred Group
Ruth Corkin	VAT Practitioner's Group

<b>HMRC / HMT</b>	
Ruth Stanier	Customs and Indirect Tax Directorate
Sally Beggs	Customs and Indirect Tax Directorate
Alomgir Ali	Customs and Indirect Tax Directorate
Rebecca Nicholson	Customs and Indirect Tax Directorate
Gaynor Whittaker	Customs and Indirect Tax Directorate
Richard Bowyer	Customs and Indirect Tax Directorate
Helen Ramsden	Customs and Indirect Tax Directorate
Don Bryant	Customs and Indirect Tax Directorate
Heather Elliott	Transformation
Nel Hargrave	Transformation
David Millar	Business Tax Operations
Neville Trout	HM Treasury
<b>Apologies from</b>	
David Fairbrother	HMRC
Eileen Patching	HMRC
Julian Ogden	VAT in Industry Group
Ian Cass	Forum of Private Business
Dean Carey	The Association of Chartered Certified Accountants
Ion Fletcher	British Property Federation
Leigh Francis	London & International Insurance Brokers Association
Martin Scammell	British Property Federation
Mark Hammond-Giles	Confederation of British Industry

