

Minutes of the 106th JVCC meeting held on 10th July 2018 14:00

HMRC Offices, Room 2/39, 100 Parliament Street, London, SW1A 2BQ

	Agenda Item 1: Welcome and introductions	Sally Beggs
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Sally Beggs (SB) welcomed everyone to the meeting and introductions were made. SB shared the news that she is the interim Director for Indirect Tax following Ruth Stanier's promotion.

	Agenda Item 2: Minutes of Last Meeting	Gaynor Whittaker
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The minutes of the meeting held on 18th April 2018 were agreed.

The action points from the previous meeting were reviewed and closed.

Gaynor Whittaker (GW) read an update on behalf of Richard Bowyer regarding the OTS recommendation on engagement.

Since the last meeting, Richard has spoken to the engagement leads in HMRC and particularly those focused on agent engagement. He has identified opportunities for raising awareness of the JVCC such as Talking Points and webinars, but has not been able to progress these further so far.

Reflecting more on the idea of a policy/operational split this could be done, but it would be helpful to get members views on this as there wasn't much opportunity to discuss it last time.

If we set up an 'operational JVCC' in the North West for example, we would need it to fit with the way that represented bodies are structured and geographically based or it could mean the two committee's would be composed of the same people who would have to travel to two meetings instead of one.

We welcome the views of members, which should be submitted to the secretariat by email.

	Agenda Item 3: EU Exit Update	Mike Cunningham
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Mike Cunningham (MC) gave an update on EU Exit developments since the last meeting; the most significant of which was the outcome from the Cabinet's meeting at Chequers.

MC explained that off the shelf models won't work for the UK and a bespoke model is needed.

MC referred to the upcoming White Paper –that was published later in the week: (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/724982/future_relationship_between_the_United_Kingdom_and_the_European_Union_WEB_VERSION.pdf)

The underlying principles are to avoid a hard border; maintain integrity of the United Kingdom; and maintain strong ties between UK and EU while respecting the result of the referendum. This would provide for friction free movement of goods between the UK and European Union as a whole.

MC also gave an update on the Implementation Period: the UK and EU negotiating teams reached agreement on the terms of an implementation period that will start on 30 March 2019 and last until 31 December 2020.

During the Implementation Period, the UK will no longer be a Member State of the European Union, but market access will continue on current terms.

To give businesses and citizens' certainty, common rules will remain in place until the end of the period meaning businesses will be able to trade on the same terms as now up until the end of 2020.

Going forward, it will be for the UK government and Parliament to decide what VAT and excise rules we have, subject to the outcome of negotiations with the EU.

	Agenda Item 4: EU / International Update	Neville Trout
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Neville Trout (NT) gave an update on developments since the last meeting. The main development was the EU proposal for the VAT Definitive system, consisting of over 176 changes. 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 Mini One Stop Shop (MOSS) simplified declaration and accounting services system. The proposal, if adopted, would be implemented in two stages with non-certified taxable persons adopting the new rules first. The proposed changes would only affect goods in the first instance, with services due to be dealt with in a subsequent change.

NT emphasised that HMT are watching developments closely.

Graham Elliott asked for clarification about the new €10,000 threshold for MOSS that will come into effect in January and whether it applied to both the union and non-union scheme.

We can confirm that the €10,000 threshold only applies to the Union scheme. The threshold can only apply to a business established in one EU Member State. Technically, a business that meets the conditions below would be eligible to register for the MOSS Union scheme but the threshold is not limited to Union scheme registrants.

The relevant legislative change is the addition of the following to Directive 2006/112:

Article 58 (2) .Paragraph 1 shall not apply where the following conditions are met:

- (a) the supplier is established or, in the absence of an establishment, has his permanent address or usually resides in only one Member State; and
- (b) services are supplied to non-taxable persons who are established, have their permanent address or usually reside in any Member State other than the Member State referred to in point (a); and
- (c) the total value, exclusive of VAT, of the supplies referred to in point (b) does not in the current calendar year exceed EUR 10 000, or the equivalent in national currency, and did not do so in the course of the preceding calendar year.

	Agenda Item 5: Making Tax Digital for VAT	Heather Elliott
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Heather Elliott (HE) shared an update from the JVCC sub group meeting held on 28th June.

The full update can be seen in the Annex of the minutes and includes a link to the VAT and other communications that have now been published.

Some members raised specific questions regarding the assisted digital sub group which HE will follow up on outside of the meeting.

Action Point: HE to provide an answer via secretariat about how members can access the assisted digital sub-group.

	Agenda Item 6: Business Tax Operations Update	David Millar
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David Millar (DM) took the committee through the operational performance dashboard.

There has been an improvement in the helpfulness of responses to clearance queries following work between the Southend team and a JVCC sub-group. There was some discussion about the helpfulness of replies that just referred to the guidance. DM stated HMRC is committed to providing a quality service but needed to focus resource on those queries where there was genuine uncertainty or the guidance was unclear. He invited members to send examples of cases where they had concerns to the secretariat.

Members had asked questions about the use of Dropbox by HMRC. DM clarified that customers do not have to use Dropbox and are within their rights to refuse to do so. A separate paper will be sent to JVCC members after the meeting to give more information about HMRC's use of Dropbox.

Members had also raised prior to the meeting the 15 day turnaround for the option to tax and HMRC's performance. This has been added to the JVCC issues log.

Action Point: Secretariat to issue Dropbox paper to members.

Action Point: DM is looking for feedback from members on quality/helpfulness of clearances. Any feedback to come through secretariat for DM.

	Agenda Item 7: VAT notice 700/2: group and divisional registration	Colin Connor
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Colin Connor (CC) led a discussion on the VAT notice 700/2.

HMRC are aware that some customers have been boundary pushing about what is an overhead in order to reduce their liability to the reverse charge under s43 (2A) VATA94. Before proposing changes to the notice in point 2), we are looking to get a broad view of what concerns the JVCC members have on any potential change to policy. Nothing was identified at the meeting but members were asked to consider and feedback views.

CC confirmed that he would share the draft re-write of VAT notice 700/2 with JVCC members prior to publication.

Action Point: CC is looking for any feedback from members as to whether;

- **Businesses are clear on what should be classed as overheads within the guidance on VAT grouping.**
- **Businesses would welcome changes to the guidance on overheads to provide more clarity?**

Any feedback or questions to come through secretariat for CC to reply to.

	Agenda Item 8: AOB	All
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Stephen Taylor (ST) said there were ongoing issues with the revised deregistration form VAT 7.

Action Point: ST will send further details to secretariat for David Millar to provide a response.

Chas Roy-Chowdhury asked about digital tax at European level and where it was likely to be dealt with. Mike Cunningham explained that Direct Tax colleagues in HMT were looking at that.

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

Next meeting: 11th October 2018 – Location to be confirmed.

Annex

JVCC Making Tax Digital Sub Group

Brief for JVCC on 10 July 2018

Sub Group met on 28 June 2018. Full mins and relevant documents will be made available to the main JVCC group as required.

These notes take account of actions that have happened since the meeting.

1. Attendees

New subgroup members - At the last full JVCC we sought your views on extending the group and invited group members to join. We welcomed

- Peter Dylewski - Chartered Institute of Taxation (CIOT)
- Bruce Mummery - Certified Public Accountants Association (CPAA)
- Brian Palmer – Association of Accountancy Technicians (AAT)

Twelve members attended and there were three apologies. We had four HMRC colleagues in the room, and four dialled in with their updates.

2. Agenda and questions received in advance of the meeting

We're grateful that members took time to raise issues in advance. This allowed us to arrange the agenda to cover 22 questions and comments we received before the meeting. We are drafting responses to those we did not cover on the day. Some have been added to the action log.

(We agreed to have longer meetings in future and to cover off questions in advance where we can.)

3. Implementation and Timing

At the start of the meeting we recognised there is still some concern among members about timing. We reiterated that there is no change to the implementation date of April 2019 and plans are progressing well towards that.

4. Action log and Matters arising from Minutes

Since Sub Group convened there have been 13 Action Points logged of which 8 have been cleared. Some of ongoing items will be resolved with the imminent publication of the VAT Notice. We note members disappointment that this is not yet published.

The following issues are being progressed by relevant colleagues in MTDfB and HMRC's Software Development Team

- Details about what the Agent Services Account includes
- Working with software developers to ensure software will be compliant with VAT requirements. (HMRC will not be validating products). We have invited members to give us details of specific concerns.
- Progress on APIs for Supplementary Data.
- Whether we can share more information about the developers that we are working with, the products they are working on and the information we are sharing with them. We welcome contact from in-house, software developer teams to contact us for further information and support.

5. Update on VAT Pilot

The Pilot is progressing well

Claire Williams gave an update at the meeting. These notes reflect the latest position

- Sign up via GOV.UK is simple and works well. Some people may not like the authentication process but it is working as expected. Security is a priority.
- We're testing a range of software products for sending VAT returns. We've had successful submissions with all of those tested - including a bridging product for spreadsheets.
- We observe each submission to see how it works for the customer. Users are familiar with the interfaces they are using and find the process and advice from the vendor very simple. Most are pleasantly surprised by how quick and easy it is.
- We've had some hiccups around setting up the agent services account - the system works fine but we needed to clarify our guidance. No further complaints since we've done that.
- Also some minor issues with how developers have interpreted technical guidance (for example including pence where none was needed). These issues have been identified, easily resolved and shared with other developers to avoid further, similar issues.
- The number of software developers working with us or enquiring about working with us is still growing.
- The criteria for joining is more limiting than we would like, consequently the pool of potential volunteers who can join now is less than we would like. Some developers have a suitable product ready to test but as yet haven't done as they struggle to find volunteers who meet the current criteria. As we widen the criteria this issue will ease, but it is fair (and obvious) to say it affects the smaller vendors most.
- We have tested the new MTD DD process. Initial glitches were identified and resolved. This now works as expected.

We recognise there are concerns about speed and visibility of progress. We will see what more we can do to providing re-assurance. We are considering whether/how we can provide

- Confidence that the pilot is going well. For example, stakeholders would like us to give updates on the numbers of products and successful tests.
- More information about criteria and which business could join the Pilot at what time.
- Further reassurance about removing any potential the risk of Default Surcharge for volunteers encountering problem
- Update on VAT 21 solution for NHS and Public Bodies.

6. Communications

Heather Elliott gave an update at the meeting. These notes reflect the latest position

- There will be a GOV.UK news story and a tweet to announce the publication on GOV.UK of

- Communications pack – for use by agents, software vendors and business representative bodies to inform their communication activity.
- VAT Notice - with detail guidance about how MTD will work in practice.
- MTDfB Software Readiness – with details about the developers that we are working with and the products that are in development.
- UPDATE: Published 13 July <https://www.gov.uk/government/collections/making-tax-digital-for-vat>
- We regularly share MTD information via our usual Comms channels (the Agent Blog, Agent Update, Talking Points Webinars etc.)
- Agent Update 66 provides step by step guide to set up an MTD Agent Services Account.
- Continue to engage with Professional bodies and others at HMRC Fora, ad hoc meetings, client and other events. We're grateful for their help getting the MTD message out.
- We will increase communications on MTD in the coming months as pilot expands – targeting businesses as well as agents. Will include articles for trade bodies and associated trade media, HMRC social media (Twitter, YouTube etc.)
- We will also be using HMRC's direct customer communication channels to notify affected businesses. Working on timing and content of any direct marketing, as this can raise expectations or even concerns!
- HMRC will have VAT webinars on 24/25 July based on VAT Notice.
- Working on a Podcast – this is a new initiative for HMRC. MTD to be a pilot. Working on basic overview. Targeting agents who don't engage with other channels.

7. VAT Notice

- We're grateful for all input during the two rounds of consultation. The feedback and comments were very helpful in our review.
- Where HMRC was unable to accommodate comments from JVCC members within the Notice, we will write direct to members to explain the reasons
- Members' questions and comments on the VAT Notice were discussed. Some were answered on the day. We are considering whether there is a need for additional piece of guidance. Policy colleagues are reflecting on the comments and questions that have been raised so far.

8. Charities

- MTD rules would apply to Charities, if they were VAT registered and met the criteria.
- Charities will be able to join the Pilot as and when the appropriate features had been developed and tested.
- PwC have announced they will be making free software available to Charities.
- Discussed some of the technical points, specific to charities, which are covered in the notice.
- No blanket exemptions for Charities. Any requests would be considered on merit. Criteria for exemption is not changing.

Heather Elliott - JVCC Sub Group Chair

Making Tax Digital for Business, Customer Readiness & External Stakeholder Team

10 July 2018

Appendix A

JOINT VAT CONSULTATIVE COMMITTEE (JVCC)

(Meeting number 106)

10 July 2018, 14:00.

HMRC Offices, Room 2/39, 100 Parliament Street, London, SW1A 2BQ

Attendees	
Brian Palmer	Association of Accounting Technicians
Chas Roy-Chowdhury	Association of Chartered Certified Accountants
Dean Carey	Association of Chartered Certified Accountants
Graham Elliott	Charity Tax Group
Jayne Simpson	Chartered Institute of Taxation
Julian Ogden	VAT in Industry Group
Lee Hurst	One Hundred Group
Linda Skilbeck	The Chartered Institute of Taxation
Mark Hammond Giles	Confederation of British Industry
Nic Davison	Chartered Institute of Management Accountants
Nick McChesney	The Institute of Chartered Accountants of England and Wales
Phillip Ford	Association of International Accountants
Ruth Corkin	VAT Practitioner's Group Ruth Corkin
Sarah Bagley	Chartered Institute of Public Finance and Accountancy
Simon Nathan	British Property Federation
Stephen Taylor	Association of Tax Technicians
Susan Cattell	The Institute of Chartered Accountants of Scotland

HMRC / HMT	
Sally Beggs	Customs and Indirect Tax Directorate
Eileen Patching	Customs and Indirect Tax Directorate
David Fairbrother	Customs and Indirect Tax Directorate
Gaynor Whittaker	Customs and Indirect Tax Directorate
Colin Connor	Customs and Indirect Tax Directorate
Susanne Yoxall	Customs and Indirect Tax Directorate
Heather Elliott	Transformation
David Millar	Business Tax Operations
Neville Trout	HM Treasury
Mike Cunningham	HM Treasury
Apologies	
Ruth Stanier	HMRC
Richard Bowyer	HMRC
Alomgir Ali	HMRC
David Jordorson	Association of British Insurers
Fiona Heron	Confederation of British Industry
Ian Cass	Forum of Private Business
Lorence Nye	Federation of Small Businesses
Martin Scammell	British Property Federation
Nancy Cruickshanks	Association of Tax Technicians
Peter Dylewski	Chartered Institute of Taxation
Ruwan de Silva	London & International Insurance Brokers Association

