

Minutes of the 109th JVCC meeting held on 14 May 2019 13:30

HMRC, 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.

	Agenda Item 2: Minutes of Last Meeting and action points	Ben Martin
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The minutes of the meeting held on 14 February 2019 were agreed.

The action points from the last meeting were reviewed and updates provided as necessary.

Ben Martin (BM) opened a discussion on the issue of 'Zero and reduced rating in the construction supply chain'. Discussions were had on this topic but the point that requires clarification is whether customers make claims via the court or whether claims can be made to HMRC.

AP: To have the issue as an agenda item at the next meeting, and for HMRC to reflect on the latest ECJ decision and clarify the process that the customers should follow when making a claim.

	Agenda Item 3: EU Exit Update	Various
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Mike Cunningham – General EU Exit update

Mike Cunningham (MC) gave an update on EU Exit developments since the last meeting. The Government's aim is to get a deal that will pass through Parliament so that the UK can leave the EU in an orderly manner, this includes working with the Opposition and other parties.

Alice Dowswell – HMRC EU Exit update

Alice Dowswell (AD) provided an update on the collation of an EU Exit frequently asked questions list which will be considered as part of HMRC's wider planning and communications. It will be not be published as a standalone product.

Eileen Patching – Legislation

Eileen Patching (EP) explained that legislation which has already been made for a No Deal scenario is ready to be commenced should this scenario occur.

JVCC Feedback

Hywell Anthony (HA) raised a query regarding the Transitional Simplified Procedures for imports and the interaction with postponed import VAT accounting where monthly statements are issued which might not list all the imports. EP explained that the legislation provides that businesses will be able to estimate using commercial documentation available to support claims to recover import VAT.

	Agenda Item 4: International update	Neville Trout
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Neville Trout (NT) gave an update on the current VAT dossiers and noted that Finland would be taking over in July as the next Presidency.

NT reported that the Implementing Regulation for Council proposals on the Digital Single Market (DSM) were agreed in March. This makes significant changes to cross-border trading. The Directive itself was agreed in December 2017 and comes into effect in January 2021.

NT provided an update on the payment service providers proposal, which is an information provision measure designed to tackle VAT fraud. It requires payment service providers to report transactions on cross-border supplies. This change is set to come into effect in January 2022.

The SME proposal to simplify the VAT system and to encourage cross-border trade is still under discussion.

	Agenda Item 5: Import VAT deducted as input tax by non-owners: overview and Q&A	Ishrat Ali
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Ishrat Ali (IA) provided an update on Revenue and Customs Brief 02 (2019). IA explained that the brief was produced for further clarity and that there is no change to policy. IA explained that the policy was consistent with UK and EU legislation. The brief allows a transitional period for businesses that currently applying incorrect procedures to apply correct procedures going forward. HMRC will not take retrospective action where businesses have acted in good faith.

	Agenda Item 6: Fund Management: update and Q&A	Nayim Kadri
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Nayim Kadri (NK) provided an update on current position on fund management. The current SI is due to come into force on Exit Day and would have been repealed in event that the UK secured an exit deal with the EU with a deal. However, Treasury Ministers agreed that the SI should come into force regardless of whether the UK leaves the EU with a deal or not. This will provide better certainty to the

industry. It is proposed that the changes come into force on 1 November 2019 with reasonable time for businesses to adjust (6 months from the effective date).

Members can contact Nayim with any concerns on this or related matters (Nayim.Kadri@hmrc.gov.uk).

	Agenda Item 7: Upcoming Calls for Evidence	Will Perera/Ishrat Ali
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The Government will be publishing calls for evidence on:

- The operation of Insurance Premium Tax (IPT); and
- The operation of the VAT Partial Exemption (PE) and Capital Goods Scheme (CGS).

For IPT, the focus of the review will be on unfair outcomes and the administration and collection of IPT. For PE and CGS, the review will focus on the potential simplification of the PE regime and CGS, and recommendations from the Office of Tax Simplification (OTS). HMRC will be reviewing the CGS notice and update members in due course.

AP: IA to provide an update at the next meeting on plans to update the CGS notice.

	Agenda Item 8: Making Tax Digital for Business for VAT	Verna Gellvear
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Verna Gellvear (VG) confirmed that Making Tax Digital for Business (MTDfB) for VAT is mandated for eligible business from 1 April 2019. VG provided an update on action points from the previous meeting. HMRC is currently making changes to software to enable recognition of terms such as “MTD” and “making tax digital” on its helplines. On payments, VG explained that a Direct Debit should only take out the remaining balance where a partial payment has been made prior to the Direct Debit date. Members should provide any feedback on examples of this not being the case.

	Agenda Item 9: HMRC Operational update	David Torz and David Millar
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David Torz (DT) took the committee through the new operations performance dashboard. DT explained that there is an increased demand on the VAT helpline following MTDfB for VAT mandation in April however HMRC has flexed additional resources to this to reduce customer call waiting times.

Some members raised a concern of customers being cut off whilst waiting in call queue. DT explained that this is due to increased demand and bandwidth issues at

certain peak times but bandwidth has since been increased and the additional flexed resource will resolve the issue.

DT and David Millar (DM) provided an update on clearances and acceptance rates. DM explained that they are looking to improve the process and members are invited to form a working group with the operations team to improve the process.

AP: Members to inform the secretariat of their interest to form a working group with the operational team.

DT asked members to feedback directly to DT (david.torz@hmrc.gov.uk) on hot issues where they are not being resolved at first contact through helplines.

	Agenda Item 10: Any Other Business	All
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- HMRC will not be providing any separate updates on EU Exit at this time. These will be provided centrally through the government stocktake of activities and communications.
- HMRC will provide an update on the error correction procedures for the domestic reverse charge for the construction industry.

AP: HMRC to provide an update at the next meeting.

Next meeting: 3 September 2019 – HMRC Offices, 100 Parliament Street

Appendix A

JOINT VAT CONSULTATIVE COMMITTEE (JVCC)

(Meeting number 109)

14 May 2019, 13:30.

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

Attendees	
Anshita Joshi	The Investment Association
David Jordorson	Association of British Insurers
Dean Carey	The Association of Chartered Certified Accountants
Graham Elliott	Charity Tax Group
Hywel Anthony	VAT in Industry Group
Ian Cass	The Forum of Private Business
Jayne Simpson	The Chartered Institute of Taxation
Lee Hurst	One Hundred Group
Linda Skilbeck	The Chartered Institute of Taxation
Mark Hammond Giles	Confederation of British Industry
Martin Scammell	British Property Foundation
Martin Shah	The Law Society of England & Wales
Nancy Cruickshanks	Association of Tax Technicians
Nic Davison	Chartered Institute of Management Accountants
Nick McChesney	Institute of Chartered Accountants in England and Wales
Phillip Ford	Association of International Accountants
Ruth Corkin	VAT Practitioner's Group Ruth Corkin
Susan Cattell	The Institute of Chartered Accountants of Scotland

HMRC / HMT	
Sally Beggs	Customs and Indirect Tax Directorate

Alice Dowswell	Customs and Indirect Tax Directorate
Ben Martin	Customs and Indirect Tax Directorate
Colin Connor	Customs and Indirect Tax Directorate
Darren Boodhoo	Customs and Indirect Tax Directorate
David Fairbrother	Customs and Indirect Tax Directorate
Eileen Patching	Customs and Indirect Tax Directorate
Ishrat Ali	Customs and Indirect Tax Directorate
Nayim Kadri	Customs and Indirect Tax Directorate
Will Perera	Customs and Indirect Tax Directorate
David Millar	Business, Tax and Customs Directorate
David Torz	Business, Tax and Customs Directorate
Stephen Davies	Tax Administration Directorate
Verna Gellvear	MTDfB Transformation
Mike Cunningham	HM Treasury
Neville Trout	HM Treasury

Appendix B

JVCC Making Tax Digital Sub Group Brief for JVCC on 14 May 2019

1. VAT Notice 700/22 revision

Jeff Worrell, MTDfB Policy, advised the Sub Group that VN 700/22 had been revised taking account of member's feedback and concerns and concessions in regards to supplier statements and cash accounting had been included.

Minor wording changes, and update on charities and a few other matters had been made. VN was with Government Digital Services expected to be published imminently. (Update – published 3 May 2019).

2. Update on MTDfB VAT Service

Verna gave members a comprehensive update on the first month of the live service. Over 160,000 sign ups, and 36,000 submissions, to date and signs were overwhelmingly positive. As could be expected with any major IT launch teething issues were continuing to be found both in vendor software, and on the HMRC side. Some customers / agents had encountered filing issues with some software products, and some had unexpectedly received error messages from HMRC.

All issues were expected to be resolved by filing deadline day of 7 May.

Members offered suggestions surrounding clearer messaging and information about sign up on GOV.UK and these will be progressed. Members also advised of issues encountered with some spam filters / firewalls that were diverting or preventing delivery of messages from HMRC, meaning customers became uncertain about submission. HMRC will issue advice to check spam filter, and consider firewall adjustment, if required.

3. Agent Services Account

Members provided feedback and examples of where people had become confused in the creation of their new Agent Services Account / linking existing clients / signing clients up to MTDfB/authorising software.

Members offered suggested clarified wording for use by agents and Verna would look to progress where possible.

Members raised issued, and sought clarity, on issue of agents using client credentials to submit returns. Verna would seek definitive clarification and guidance from Agent Services colleagues.

4. Penalties and compliance

Nic Holland and Tanya Honey from HMRC Compliance Operational Policy and Guidance Unit attended the meeting, in response to member requests, and provided an overview of the line being taken in regards to compliance under MTDfB.

It was clearly stated that in Year 1 it would only be the most extreme cases of flagrant disregard would be considered for a penalty, and even then this would be a last resort following encouragement and support.

Chancellor's Spring Statement had outlined the light touch and encouraging approach that HMRC would adopt. Penalties were not seen as an encouragement and Compliance colleagues coming across record keeping issues would help and support customers to move towards a compliant position.

Even in Year 2 penalties were not the route of choice for HMRC as they wanted business to embrace and use MTDfB for mutual benefit. But if encouragement failed there was the ultimate prospect of a penalty being issued.

Members appreciated the approach being taken and felt that the design, tone and wording of any campaign / encouragement letters would be key. Nic and Tanya agreed and would look to involve members in drafting / reviewing any material being issued.

5. Member questions submitted in advance

HMRC provided written and on the day responses to member questions, covering a wide range, and in detailed specifics that provided greater clarity and understanding for all.

6. Exemptions

Members asked for an update on exemptions. There had been just under 1,800 applications to date. The aim was to respond within 15 days, but slightly above this at the moment due to the initial surge of applications. HMRC were working hard to reduce this. About 1000 had been cleared and 350 approved and 60 rejected, around 80% being accepted.

In terms of trends, there had been a significant number of applications from businesses who are below the taxable turnover threshold of £85,000, which are not required, and a number of applications based on age alone, with no other evidence offered.

Verna Gellvear - JVCC MTDfB Sub Group Chair

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

7 May 2019