



Changes to VAT zero-rating of exports from the UK

Summary of Responses

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1. Introduction

In practice, no VAT is due on goods which are exported outside the European Union (EU), provided certain conditions are met. Where goods are collected by an overseas customer for subsequent export, under EU law, no VAT is due provided the customer is not established in the UK. The UK has not fully implemented this provision, so UK law requires amendment.

A separate change is required to UK law relating to supplies of excise goods for removal to another EU Member State. The change amends an outdated reference to excise law.

HMRC launched a consultation on 13 May 2013 to seek views on:

- whether draft legislation will achieve the desired result;
- whether planned publicity about the changes is sufficient;
- the impact of the changes on affected businesses.

The consultation closed on 5 July 2013.

2. Responses

This chapter provides details of the responses to the consultation and sets out the actions HMRC will take as a result.

6 responses were received, all from representative bodies. Details of the respondents are at Annex A.

Question 1:

Do you consider that the draft legislation will achieve the intended policy change?

Four respondents agreed that the draft legislation does achieve the intended policy changes. Two respondents made no comment.

Question 2:

Do you consider that this [planned publicity] is sufficient to advise all those affected of the proposed changes? If not, what additional publicity should be provided, and who should this be aimed at?

The consensus view was that HMRC needs to do more to ensure that adequate publicity is provided. It was felt that early publicity is required which should, if possible, be targeted at those businesses most affected by the changes. Guidance should also be provided in respect of the treatment of past transactions. Additionally, HMRC should ensure that existing notices and guidance are up to date when the changes are implemented.

HMRC response:

HMRC will provide a range of alerts and guidance to both UK and overseas businesses affected by this change and to their agents.

Additionally, existing notices and guidance will be updated to coincide with the implementation of the changes to UK law.

Question 3:

Do you agree that the changes will have no impacts other than those set out above [in a Summary of Impacts table]? If not, what additional impacts do you think will result from the changes?

Generally, it was felt that the changes will not result in any major impacts for affected businesses. However, some respondents contend that suppliers will be obliged to comply with additional proof of export requirements resulting in an increase to administrative burdens. There is also a concern that, if UK suppliers continue to charge VAT on affected transactions, HMRC will disallow the customer's subsequent recovery of that VAT.

HMRC response:

HMRC acknowledges that suppliers will be required to meet proof of export requirements and this was reflected in the Tax Impact Assessment at section 4 of the consultation document. However, it is estimated that those businesses will incur minimal additional costs.

If VAT is charged on transactions which are eligible to be zero-rated, the customer is entitled to recover that VAT as input tax subject to the normal rules. This will be covered in HMRC guidance.

Question 4:

Following on from question 3, do you agree that the changes affect a small number of businesses and those businesses will incur minimal additional costs? If not, to what extent will businesses be affected and what additional administrative burdens will they incur?

Those respondents answering this question agreed that the changes are likely to affect a small number of businesses but some reiterated the point that suppliers will be required to meet proof of export requirements.

General comments:

One respondent enquired about the possibility of compensation payments to businesses that have been adversely affected.

HMRC response:

We do not make compensation payments as a result of such a change in the law. In most cases, the VAT charged on past sales is recoverable by the VAT registered customer. Additionally, paragraph 2.5 of the consultation document makes it clear that HMRC will consider claims to unravel the VAT treatment of past transactions. This issue will be covered in HMRC guidance.

3. Next steps

The consultation exercise confirmed that the draft legislation does achieve the intended policy change. Therefore, changes to the law will be implemented on 1 October 2013 as planned.

HMRC will issue further publicity and guidance to provide affected businesses with more information about the impact of the changes. We will also update existing web guidance and public notices to ensure the changes are accurately reflected.

The Government has laid HMRC Regulations before the House of Commons to implement this change and will publish a Tax Information and Impact Note on the HMRC website at <http://www.hmrc.gov.uk/thelibrary/tiins.htm>. A Revenue and Customs Brief will also be issued to provide more details of the changes.

Annex A: List of stakeholders responding to the consultation

Association of Accounting Technicians
Association of Taxation Technicians
Chartered Institute of Taxation
Institute of Chartered Accountants in England and Wales
London Society of Chartered Accountants
United Kingdom Oil Industry Taxation Committee