

Clause 32 and Schedule 14: VAT: repayment interest

Summary

1. This clause and Schedule make amendments to Finance Act 2009 relating to repayment interest and VAT. The changes come into force on a day to be announced and by way of regulations. The Schedule introduces changes to FA09 S102 and Schedule 54 that bring VAT into the scope of the provisions for Repayment Interest. The changes generally ensure that repayment interest works in the same way for VAT as it currently does for income tax self assessment with the exception of two areas around reasonable enquiry and missing returns.

Details of the clause

2. This clause introduces a Schedule containing changes to FA09 that bring VAT into scope of Schedule 54 of that act. They provide for regulations to be made to introduce the changes and allows Treasury to make regulations for further incidental provisions, amend, or repeal as may appear to be appropriate.

Details of the Schedule

3. Paragraph 1 amends Finance Act 2009 introducing a new Part 2A outlining the period for which interest can be paid on a VAT credit.
4. Paragraph 2 inserts a new sub-paragraph 102(4)(b)(aa) and introduces the changes to Schedule 54.
5. Paragraph 3(2) inserts in Schedule 54 a new sub-paragraph 12 (c) that ensures that no repayment interest is paid on balancing payments for VAT payments on account when the payments of account exceed the due amount in the prescribed accounting period.
6. Paragraph 3(3) inserts a new sub-paragraph 12D to 12F.
 - a. Sub-paragraph 12D defines various VAT terms.
 - b. Sub-paragraph 12E Ensures that repayment interest is not paid for any period where HMRC has a reasonable inquiry, nor for any period where HMRC is correcting errors and omissions
 - c. Sub-paragraph 12F ensures that repayment interest is not made for any period when there are other VAT returns missing at the time of receipt of the relevant return, nor for any period where notice is given to produce evidence or security and that is not produced.

Background note

7. Currently customers can receive repayment interest for the overpaid of a liability in certain taxes. This causes disparity across the tax system.
8. The government wishes to have a consistent approach to how interest is paid to customer to achieve a fairer tax system for all. This clause and Schedule make amendments to repayment interest in VAT to bring it in line with ITSA rule to support the harmonised approach moving forward.
9. The regime has been the subject of consultation on two occasions, initially as part of 'Making Tax Digital: Tax Administration' responses document published on 31 January 2017, then as 'Making Tax Digital: interest harmonization and sanctions for late payment' consultation published on 1 December 2017 and responses document published alongside the draft legislation.
10. If you have any questions about this change, or comments on the legislation, please contact Duncan Calloway on 03000 571813 (email: mtda@hmrc.gsi.gov.uk)

