



HM Revenue
& Customs

Value Added Tax: Amendment to the valuation rules for works of art, antiques and collectors' items subject to the overseas goods measure

Who is likely to be affected

Businesses and operators of online marketplaces involved in the supply of works of art, antiques and collectors' items where the goods are imported into GB in low value consignments, and consumers of such goods.

General description of the measure

This clause amends the supply valuation provisions in the Value Added Tax Act 1994 (VAT Act) that apply to low value consignments of works of art, antiques and collectors' items.

Policy objective

To ensure that the effective reduced rate of VAT applies to imports of works of art, antiques and collectors' items covered by the overseas goods measure.

Background to the measure

The overseas goods measure was introduced into the VAT Act by the Taxation (Post-transition Period) Act 2020. The measure provides that goods ordered remotely and imported into GB in consignments with an intrinsic value of £135 and under, are treated as supplied in the UK by the seller or the operator of an online marketplace that facilitates the supply. To avoid double taxation, the importation of the goods is not subject to import VAT.

The import valuation rules in section 21 of the VAT Act provide for an effective reduced rate of VAT (5%) to apply to works of art, antiques and collectors' items by reducing the valuation to 25% of what the item is worth. However, as goods subject to the overseas goods measure are treated as UK supplies, the supply valuation provisions in section 19 of the VAT Act, rather than the import valuation provisions, apply. The effect is that these goods no longer benefit from the effective reduced VAT rate and are subject to VAT at the standard rate (20%). This is an unintended consequence of the overseas goods measure.

These changes will amend the supply valuation provisions of the VAT Act to provide the same effective reduced VAT rate provision as that in section 21 to imports of works of art, antiques and collectors' items covered by the overseas goods measure.

Detailed proposal

Operative date

The measure will come into effect on Royal Assent to the Finance Bill and will have retrospective effect from the end of the Transition Period (11pm on 31 December 2020).

Current law

Current law is included in the Value Added Tax Act 1994 (VAT Act)

Proposed revisions

Legislation will be introduced as a new clause in Finance Bill 2021.

Schedule 6 to the VAT Act will be amended so that supplies of works of art, antiques and collectors' items whose place of supply is the UK under section 7(5B) of the VAT Act will be subject to a reduced value of 25% of what the item is worth. This will provide an effective reduced rate of VAT of 5%. Works of art, antiques and collectors' items will be defined by reference to section 21(5) of the VAT Act.

Section 2(2) of the VAT Act provides that the Treasury may by order increase or decrease the rate of VAT. Schedule 6 will include a provision that an order made pursuant to section 2(2) may also alter the valuation percentage.

Summary of impacts

Exchequer impact (£m)

2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026	2026 to 2027
empty	empty	empty	empty	empty	empty

This measure is expected to decrease receipts. The final costing will be subject to scrutiny by the Office for Budget Responsibility and will be set out at a future fiscal event.

Economic impact

This measure is not expected to have any significant macroeconomic impacts.

Impact on individuals, households and families

It is not anticipated that these measures will have any impact on individuals, households or families.

The measure is not expected to have an impact on family formation, stability or breakdown.

Equalities impacts

It is not anticipated that there will be impacts for those in groups sharing protected characteristics.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses as they seek to clarify and rectify unintended consequences of previous legislation. Businesses will have a one-off cost to familiarise themselves with the change. Some businesses may also need to update their software and train their staff if they had been interpreting the rules differently. There are not expected to be any continuing costs.

Customer experience for this change is expected to stay broadly the same as the changes do not change any processes or tax administration obligations.

This measure is not expected to have an impact on civil society organisations.

Operational impact (£m) (HMRC or other)

This measure carries no costs to HMRC, whether IT, estates, staff resource or other costs.

Other impacts

Other impacts have been considered but none has been identified.

Monitoring and evaluation

This measure will be monitored through information collected from VAT returns and communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Andrew Heywood on telephone: 03000 544534 or email: andrew.heywood@hmrc.gov.uk.

Declaration

The Right Honourable Jesse Norman MP, Financial Secretary to the Treasury, has read this tax information and impact note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.