VAT Groups: individuals, partnerships and Scottish partnerships can now join

Indirect Tax

01 December 2019

From 1 November 2019, the eligibility criteria for joining a VAT group has been extended to individuals, partnerships and Scottish partnerships, provided the qualifying criteria for ownership and control are met. Previously, only bodies corporate were eligible to be treated as members of a VAT group.

Background

In July 2015, within the judgment of the joined cases *Larentia + Minerva* (Case C-108/ 14) and *Marenave* (Case C-109/ 14), one of the conclusions of the case was that national legislation limiting membership of VAT groups to corporate bodies was not permitted.

Since that time, HMRC have engaged in a period of consultation on VAT groups and the CIOT's involvement has been reported in earlier editions of Tax Adviser (May 2018 and October 2018).

A number of changes to VAT groups were announced in Budget 2018, and we have seen the first of these relating to classifying the VAT position for bought-in overseas services effective from 1 April 2019.

Legislation and HMRC Guidance

Statutory Instrument 2019/1348, The Finance Act 2019, Schedule 18 (VAT Groups: Eligibility) (Appointed Day) Regulations 2019, amends s 43A of the Value Added Tax Act 1994 with the new qualifying criteria.

HMRC has updated VAT forms VAT 50 and VAT 51 with the new eligibility details, and these are available on GOV.UK. At the time of writing, VAT Notice 700/2 and the VAT manual for VAT groups were anticipated to be updated by mid-November.