COVID-19: update for indirect tax

Indirect Tax

01 December 2020

The monthly round up of COVID-19 measures affecting indirect tax.

1. Option to tax

In May, HMRC introduced two temporary changes when notifying an option to tax for land and/or property. These changes were:

- the extension of the 30 day notification period to 90 days; and
- the ability to use electronic rather than wet signatures, providing supporting evidence was supplied.

The initial time period where the temporary measures applied ran from 15 February to 30 June 2020, though this was subsequently extended to 31 October. However, as there continues to be social distancing restrictions in place in the UK, the timeframe for these two temporary changes has been further extended to now run until 31 March 2021.

2. Extended deadline on relief for imports of personal protective equipment (PPE) and relevant medical devices/equipment

HMRC introduced a relief on import VAT and duty for the import of certain medical goods by qualifying bodies meeting the criteria in its guidance, where those imported goods were intended:

- for distribution free of charge to those affected by, at risk from, or involved in combating the COVID- 19 outbreak; or
- to be made available free of charge to those affected by, at risk from, or involved in combating the COVID-19 outbreak, while remaining the property of the organisations using them.

The initial timeframe for the relief to apply to imports meeting the criteria was due to end on 31 October but this has now been extended to cover the period from 30 January to 31 December 2020.

3. Deregistration and the interaction with deferred VAT due to COVID-19 measure

There is a single VAT deregistration process for all taxpayers, regardless of whether they chose to defer VAT due to the COVID-19 measure or not). If a taxpayer wishes to or is obliged to cancel its VAT registration, it is able to do so even if it still has outstanding deferred VAT. However, please note that this VAT is still payable to HMRC, and the deadline to make the payment is March 2021. HMRC have said to the CIOT that if you have examples of a taxpayer being prevented from cancelling its registration solely because of any COVID-19 deferred VAT, they will look into it if it is brought to their attention.

The liability to pay the deferred COVID-19 VAT balance remains with the legal entity rather than the VAT registration number, so if this number is reallocated to a third party – for example, where there is a transfer of a going concern – the VAT liability would not normally transfer too.

When a business with deferred VAT joins a VAT group, the VAT liability remains with that business and does not transfer to the group under the usual joint and several liability rules.

HMRC confirmed that they will be revisiting and updating the guidance for helpdesk staff so that the advice being given in relation to VAT de-registration and outstanding deferred VAT is consistent.

Jayne Simpson

Jsimpson@ciot.org.uk

Emma Rawson

erawson@att.org.uk