VAT: option to tax notifications update

Indirect Tax

01 March 2016

Update

Obtaining acknowledgement of an option to tax (OTT) can be crucial to property deals and transfers of going concerns in particular. Delays can jeopardise transactions, given the understandable reluctance to complete contracts without certainty on VAT and many sales contracts require confirmation that the OTT has been notified and is not dis-applied because of anti-avoidance measures.

Since the CIOT wrote to HMRC in October 2015 seeking reassurance that delays of 30 to 60 days would be addressed, HMRC had committed to restore service levels to around 15 days by November 2015. We have continued to monitor this though our representatives attending HMRC's land and property liaison group and the joint VAT consultative committee as well as direct contact with the OTT National Unit and reports from members. Unfortunately, substantial delays have continued and HMRC acknowledges it is not yet where it wants to be. We have been assured that extra resource has been deployed to the OTT team and HMRC reports that this is having an impact with the aim to have a significant improvement in service levels by now.

To assist with monitoring this issue we are asking for feedback from members on their experiences. Please provide brief (anonymised) examples of delays that you and your clients may have experienced so that we can evidence concerns. It would be helpful to provide some context on whether the OTT is a standard or complex situation and to explain what impact the delay has had. Please send your email to afearnside@ciot.org.uk.