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Indirect Tax | Tax voice



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An undemocratic, unaccountable system run by faceless administrators, claiming to represent the people and to offer Europe's best hope for peace, but ultimately ignoring the will of her citizens through an opaque voting mechanism and serving only vested national interests; a cacophony of cultures, languages and styles with incomplete translation and frequent miscommunication; a selection of eager candidate countries who would apparently stretch the eligibility criteria to breaking point; arguments over whether some current countries should be in at all due to their political or economic circumstances…

Much as I hate to admit it, I once again found myself compelled to watch Eurovision last month. It demonstrated something of the breadth and wealth of cultures, languages and (often gaudy) costumes across Europe – and beyond. It showed very clearly how difficult it is to reach a consensus and satisfy a vast electorate even in the arguably insignificant matter of who can write the best cheesy European pop ballad.

Many across Europe have developed a love-hate relationship with the competition but this has not yet boiled over into demands to withdraw. It has a proud history stretching back years before Britain joined what is now the EU. I understand that the UK's participation in Eurovision is set to continue regardless of the outcome of the referendum on Britain's EU membership later this month. It is comforting in that

context that there are at least some things which can be relied upon in this country’s future relations with its European neighbours.

As indirect tax specialists, the Brexit referendum could of course bring us earth-shattering change, more of the same – or anything in-between. It has been challenging therefore over the past few weeks to predict exactly what could happen should the UK leave the EU. The consensus seems to be that an independent UK VAT system would, at least for a time, remain unchanged or continue to align broadly with the EU rules to support trade. If nothing else, it would take government and taxpayers some time to learn a new taxation system for goods and services!

Whilst change can be for the worse, a new tax might offer opportunities to implement a clearer and more workable system. You will see later on in this edition, references to continuing deliberations at a European level over the most fundamental concepts of VAT, half a century on from its introduction. What is a taxable person and how does this align with national legal concepts of persons? When is input tax deductible as relating to economic activity? What is economic reality and when does it trump the contractual legal position? There is still much for us to do therefore even if “nothing changes”.

I am reminded of the following quote from Douglas Adams, author of the Hitchhiker’s Guide to the Galaxy:

> "There is a theory which states that if ever anybody discovers exactly what the Universe is for and why it is here, it will instantly disappear and be replaced by something even more bizarre and inexplicable. There is another theory which states that this has already happened."

If we replace “Universe” with “VAT system” and if the maxim holds true – I am encouraged I may still get the kids through university and reach retirement without retraining, whatever happens on 23 June 2016.

It remains for me to wish you a happy and long hot summer and to encourage you to consider what contribution you can make to the Institute’s work towards improving the VAT and indirect tax systems in the UK and beyond – for the benefit of all stakeholders.

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