Joint VAT Consultative Committee: VAT rates review project

Indirect Tax

21 November 2022

HMRC's Joint VAT Consultative Committee has formed a sub-group tasked with reviewing VAT rates for the reduced rate, zero-rate and exempt schedules to the VAT Act. The stakeholder group includes the CIOT and ATT.

In the Office of Tax Simplification (OTS) report 'Value added tax: routes to Simplification' *(*tinyurl.com/4w8pa5wt*)* published in 2017, recommendation 4 was: 'HM Treasury and HMRC should undertake a comprehensive review of the reduced rate, zero-rate and exemption schedules, working with the support of the OTS.'

In the OTS evaluation report in October 2019 (tinyurl.com/3xwhvhje) at paragraphs 1.33 and 1.34, it was noted that EU Member States may be given greater flexibility about using different rates of VAT and that the recommendation would progress once the terms of the UK exit were clearer. At that point, we did not know that the world was about to enter a global pandemic so that, combined with Brexit in the UK, the progress of many tax projects was impacted as focus was shifted to dealing with COVID issues.

The OTS recommendation was recorded on the issues log for the Joint VAT Consultative Committee (JVCC), and now that the focus on tax issues arising from the pandemic has subsided, the JVCC has formed a sub-group. The JVCC sub-group members can present HMRC with expertise and analysis on items in the reduced rate, zero-rate and exemption schedules.

The OTS recommendation covers many complicated areas of VAT, and the sub-group, which has been meeting regularly, has agreed to initially work on a very limited number of items within the relevant VAT schedules. The intention is that these topics will be considered further by smaller focus groups of niche VAT specialists. Once the sub-group agrees best practice going forward, the scope of

work will be widened. More focus groups to consider more sectors and topics will be formed in due course. We will report further details on the project over 2023.

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