50th anniversary a ‘golden opportunity’ to modernise VAT

Briefings



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ATT and CIOT both marked April’s 50th anniversary of VAT with calls for the modernisation of the tax.

ATT said that ‘baffling’ food and drink rules, such as those which see milkshake powders taxed differently according to their flavour, should be reformed.

‘Our VAT rules on food and drink are well past their “best before’ date”,’ said Senga Prior, Chair of ATT’s Technical Steering Group. ‘Simplifying and rationalising these rules would reduce confusion, as well as saving both HMRC and taxpayers time and cost. Bringing more food and drink items into the zero rate or a reduced rate could also provide a financial benefit to the hospitality sector and those struggling with the rising cost of feeding their families.’

Gabby Donald, Chair of CIOT’s Indirect Taxes Committee, said that there was a case ‘for reducing the number of exemptions and exceptions, on a case-by-case basis,

provided this is linked with a meaningful review of the welfare system to compensate low income consumers who need protection and would otherwise be worse off because of the change’.

CIOT has also suggested streamlining VAT administration and recently wrote to HMRC recommending that the ability to use Postponed Import VAT Accounting be extended to organisations which have non-business activity, such as universities. This would allow them to declare import VAT in their VAT return, instead of having to administer two import methods.