Technical Newsdesk: July 2024

Welcomes



18 June 2024

As a former VAT specialist, I remain interested in current indirect tax issues and our ongoing work in this area. So my attention was piqued when on 1June I received my daily GOV.UK update, highlighting changes to some of HMRC's VAT Notices. VAT Notice 700/2 (Group and divisional registration) and VAT Notice 700/11 (Cancelling your VAT registration) were both affected, with the email alert innocuously stating that: 'The timescale for a reply has been updated.'

Reviewing the updated VAT notices on GOV.UK reveals that on 31 May 2024, these Notices extended HMRC's expected response time. Or to be more precise, the length of time that applicants should wait before contacting HMRC. Both now state:

> 'If you have not heard from us after 40 working days, contact our VAT Registration Service to make sure that they have received your application. Do not contact us before then or you might delay us processing your application.'

The previous timescales stated in these notices were 15 and 30 working days respectively.

VAT Notice 700/1 (Who should register for VAT) now also states a 40 working day period, having previously increased from 15 to 30 working days in 2022.

Whether a turnaround of 40 working days – that is eight weeks – is acceptable is highly debatable, even for complex applications which might require human intervention. Not being able to properly raise invoices, conclude property purchases or manage cash flow are some of the significant problems that can arise from waiting for a VAT registration number or the cancellation of a VAT registration.

But that aside, if HMRC are now able to take up to eight weeks to complete their obligations (and often longer for cases that pass this deadline), presumably the same is now the case for taxpayers? And if previous timescales for HMRC have been increased by up to 166%, surely they have been similarly increased for taxpayers?

Clearly, the answer to both these questions is ‘no’. There have been no equivalent changes to taxpayers’ obligations. There remains, for example, a legal requirement for taxpayers to notify their liability to register for VAT, or to cancel their VAT registration, within 30(calendar) days – around half the time HMRC allow themselves. This does not seem right, does it? If it is important enough to require taxpayers to act within short timescales, the same urgency should apply to HMRC.

Readers of our consultation responses and other work will know that two of the CIOT’s objectives for the tax system are ‘A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented)’ and ‘Responsive and competent tax administration, with a minimum of bureaucracy’.

Discrepancies between the obligations placed upon taxpayers and HMRC conflict with these objectives, and we raise them and their consequences with HMRC and ministers. For example, the CIOT, ATT and LITRG addressed issues of this sort in their responses to the Tax Administration Framework Review, which we reported on in last month’s Technical Newsdesk. They also underpin much of the feedback which formed part of the Charter Stakeholder Group’s report to HMRC which, subject to any election restrictions or delays, will be published in the middle of July.

Rest assured that these issues will continue to be central to our engagement with HMRC.