OTS simplification review of the VAT system

Indirect Tax

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The Government has asked the Office of Tax Simplification (OTS) to review the operation of the VAT system. The terms of reference are wide ranging, and we would like to hear your views.

In December the OTS published its terms of reference for a 'VAT General Simplification Review'.

The review will consider how to help ensure the VAT system works appropriately in today's (and indeed for tomorrow's) economy, and will include consideration of:

- The issues and impacts which would be involved if the VAT registration threshold were either higher or lower than at present;
- The extent to which the definitions of the types of supply which are currently exempt from VAT, subject to a reduced rate or are zero-rated, fit the modern context, create complexity for businesses and administration;
- The level of demand and practical challenges arising from having a more widely available formal ruling system for businesses uncertain of a particular VAT treatment, for example in relation to transfers of businesses as going concerns (TOGCs);
- The potential for simplifying the operation of partial exemption methodologies, the option to tax and the capital goods scheme with a focus on the impact on smaller businesses;
- Special accounting schemes;
- The general administration of VAT including the penalty regime and the appeals process;
- The opportunities available to align VAT more with other taxes (or vice-versa) as part of the Making Tax Digital plans;

- The relative significance and impact of the issues identified on businesses of different sizes or in different sectors.

Although the OTS is not being asked to focus on Brexit related issues, it has been instructed to bear in mind any opportunities that Brexit may present to simplify VAT for the future.

The brief to the OTS provides some guidance on how the review should be conducted, including the need to take account of the principles behind ‘Making Tax Digital’, the principles of a good tax system including fairness and efficiency, and any relevant international experience.

We would like input from members involved in or with all sizes of businesses, with any practical examples of issues and suggestions for improvements surrounding the issues being addressed. Please send any comments to indirecttax@ciot.org.uk.