

BUDGET 2010

VAT MEMO 2009-2010

Newsletter Issue 3

March 2010

Having mentioned VAT only as a factor in the inflation figures and a contributor to healthy tax receipts, the Chancellor stated in his Budget that "I have no further announcements on VAT". That will have been a relief to those expecting an increase in the standard rate to 20%.

Postal services exemption

See VM ¶474

From 31 January 2011 the **exemption** for postal services will be restricted to supplies of **public postal services** (and incidental goods) by the universal service provider (currently Royal Mail). Postal services supplied on **terms which are individually negotiated**, and services not subject to price or regulatory control, will become **standard-rated** from that date.

Emissions allowances: reverse charge

See VM ¶1182, ¶1991

From 1 November 2010 the reverse charge will apply to emissions allowances. This is an attempt to **prevent missing trader fraud** and follows the application of the zero rate to emissions allowances from 31 July 2009. **Zero-rating will cease** from 1 November 2010. The legislation will be amended to allow the reverse charge to be applied to services generally, as specified in secondary legislation.

Zero-rating of aircraft

See VM ¶1298

For zero-rating purposes, a **qualifying aircraft** will no longer be determined by its weight or commercial design. From 1 September 2010 zero-rating will depend on the recipient of the supply being an airline operating for reward **chiefly on international routes**.

Lennartz mechanism

See VM ¶1525, ¶1841

The Lennartz mechanism is to be made **unavailable** in respect of purchases of **land, property, boats and aircraft**. The Lennartz mechanism applies where an asset is purchased for both business and private purposes. Under this mechanism full input tax recovery is permitted on purchase and output tax is accounted for in respect of private use over the asset's economic life. From 1 January 2011 full input tax recovery will not be available on purchase; instead **input tax** will be **restricted to the business use proportion**. The Capital Goods Scheme will be amended to take account of this change.

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HMRC has also recently announced an amended policy under which Lennartz is not available unless non-business use is private use (as opposed to, for example, use by a charity for non-commercial purposes). Legislation will be introduced to ensure that those affected by this change of policy do not gain an advantage by, for example, ceasing to account for output tax on non-business use.

Fuel scale charge

See VM ¶1538

CO ₂ band	Annual return		Quarterly return		Monthly return	
	Charge (gross) £	VAT included £	Charge (gross) £	VAT included £	Charge (gross) £	VAT included £
120 or	570.00	84.89	141.00	21.00	47.00	7.00
125	850.00	126.60	212.00	31.57	70.00	10.43
130	850.00	126.60	212.00	31.57	70.00	10.43
135	910.00	135.53	227.00	33.81	75.00	11.17
140	965.00	143.72	241.00	35.89	80.00	11.91
145	1020.00	151.91	255.00	37.98	85.00	12.66
150	1080.00	160.85	269.00	40.06	89.00	13.26
155	1135.00	169.04	283.00	42.15	94.00	14.00
160	1190.00	177.23	297.00	44.23	99.00	14.74
165	1250.00	186.17	312.00	46.47	104.00	15.49
170	1305.00	194.36	326.00	48.55	108.00	16.09
175	1360.00	202.55	340.00	50.64	113.00	16.83
180	1420.00	211.49	354.00	52.72	118.00	17.57
185	1475.00	219.68	368.00	54.81	122.00	18.17
190	1530.00	227.87	383.00	57.04	127.00	18.91
195	1590.00	236.81	397.00	59.13	132.00	19.66
200	1645.00	245.00	411.00	61.21	137.00	20.40

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	Charge (gross) £	VAT included £	Charge (gross) £	VAT included £	Charge (gross) £	VAT included £
205	1705.00	253.94	425.00	63.30	141.00	21.00
210	1760.00	262.13	439.00	65.38	146.00	21.74
215	1815.00	270.32	454.00	67.62	151.00	22.49
220	1875.00	279.26	468.00	69.70	156.00	23.23
225	1930.00	287.45	482.00	71.79	160.00	23.83
230 or more	1985.00	295.64	496.00	73.87	165.00	24.57

Registration and deregistration thresholds

See VM ¶9960, ¶9962, ¶9964, ¶9966

	Existing threshold (£)	New threshold from 1 April 2010 (£)
Registration	68,000	70,000
Deregistration	66,000	68,000
EU Acquisitions	68,000	70,000

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