



## Tax Insights

# Monthly VAT news – February 2016

### Holding company in natural resources sector refused input VAT recovery

Holding companies that provide management services to overseas subsidiaries should ensure they have valid documentation in place to demonstrate that they are making taxable supplies for VAT purposes.

Norseman Gold Plc (Norseman), an AIM listed UK holding company in the natural resources sector, submitted several VAT returns requesting repayments of input VAT, without declaring any output VAT on its returns. Norseman provided management services to overseas subsidiaries, but did not charge for this during the relevant periods. The Upper Tribunal agreed with the First Tier Tribunal decision, finding that Norseman was not making, or intending to make, taxable supplies when the VAT reclaim was submitted.

The judge confirmed that the “vague and general intention that payment would be made” failed to show a direct and immediate link between the services supplied and the charges levied or to be levied. Furthermore, there was no formal agreement in place confirming the payment arrangements and timings, and often a charge was only made when the subsidiaries could afford to pay. As a result, Norseman’s claim to input VAT recovery was declined.

This case emphasises the importance of putting service agreements and pricing arrangements in place with subsidiaries, as evidence that a company is making supplies for a consideration. If you think you may be affected by this decision, our Indirect Tax Team can offer assistance in this area.

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## Electricity provided with holiday accommodation is a single composite supply - case to be appealed

Colaingrove Limited has taken its case to the Court of Appeal concerning the VAT liability of a charge for electricity included in the cost of holiday accommodation. The outcome of this appeal could have implications for businesses that sell goods or services with differing rates of VAT.

The Upper Tribunal had determined that the charge for electricity could not be split out from the holiday accommodation price, so standard rated VAT must be applied to the entire single composite supply.

It is not yet known when the decision will be released. If you have any concerns on this matter, our Indirect Tax Team can offer guidance in what can be a complex area.

## European Commission extends cross-border VAT ruling project

A pilot project created by the European Commission, which offers private rulings on the VAT treatment of complex cross-border transactions between participating Member States, will now run until 30 September 2018. The project commenced in June 2013; Ireland and Italy recently joined the scheme, thereby increasing the current membership to 18 EU Member States. For assistance on obtaining such a ruling, please contact our Indirect Tax Team.

## HMRC publishes revised notice on IPT

Following the increase in the standard rate of IPT from 6% to 9.5%, effective from 1 November 2015, HMRC has issued a revised notice on IPT which replaces the previous version. The updated notice can be accessed [here](#).

## Survey launched on the administrative burden of Intrastats

A [survey](#) has been launched by Eurostat (the body that compiles statistical data for the European Commission) into the administrative burden placed on businesses by the filing of Intrastat declarations, and the options available for re-designing the system. Businesses have until 20 March 2016 to submit their comments, and the responses received will be incorporated into a summary report to be published by the end of 2016.

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