

Explanatory Memorandum to Tynwald Members

Issued by the Department of the Treasury

To the Hon Laurence Skelly MLC, President of Tynwald and the Hon Council and Keys in Tynwald assembled

1. Title of measure

Value Added Tax Act 1996 (Amendment) Order 2021

2. Changes in policy

None. Under the Customs and Excise Agreement the Island is obliged to maintain its VAT law so that it corresponds to that in the UK.

3. Effects of the measure

This Order amends the Value Added Tax Act 1996 ("the Act") in order to ensure that the Act corresponds with the like legislation in the United Kingdom, as required under the Customs and Excise Agreement 1979.

Article 3 inserts a new section 58E, and Schedule 15A, into the Act to make provisions to deal with VAT payments which remain outstanding following the coronavirus emergency. VAT registered traders were permitted to defer their VAT payments for the period 20 March 2020 to 30 June 2020 as part of the Government's support measures for businesses during the pandemic. Those payments needed to have been made, or formal arrangements needed to have been put in place with the Treasury to pay the amount over a longer period, by 30 June 2021. If a person has not made the required payment, or arranged a formal agreement with the Treasury, they may be liable to a penalty. The penalty is 5% of the amount of VAT which remains outstanding at the time a penalty is assessed.

Article 3 also amends Schedule 7 to the Act to ensure that the correct amount of VAT is charged on works of art, antiques etc. when they are imported in a consignment of £135 or less.

The Order is subject to affirmative Tynwald procedure under section 95(3) of the Value Added Tax Act 1996.

4. Reasons for the measure

Under the terms of the Customs and Excise Agreement the Island is obliged to maintain its VAT law in line with that of the UK.

The provisions in the Order correspond with amendments made to the United Kingdom's VAT law by the Finance Act 2021.

Many of the Island's businesses who did defer their VAT payments during the pandemic have since met their obligations. The penalty is introduced to encourage those that have still not paid, or made any arrangements to pay with the Customs and Excise Division, to do as soon as possible to avoid a financial penalty. Those businesses have already been informed of the potential charge to a penalty.

5. Resource implications

It is not expected that this measure would involve any significant resource or revenue implications.

6. Tynwald procedure

The Order is subject to affirmative Tynwald procedure under section 95(3) of the Value Added Tax Act 1996.