

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 (Miscellaneous Amendments) Regulations 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 United Kingdom.

3. Effects of the measure

These Regulations amend the Value Added Tax Act 1996 ("the Act") in line with amendments made to VAT law by the United Kingdom, as required under the Customs and Excise Agreement 1979. These Regulations are made under section 51 of the Taxation (Cross-border Trade) Act 2018, as it has effect in the Island.

Regulation 4 omits section 16A of the Act which is no longer required following a change of policy in the United Kingdom in relation to the import of goods in a postal packet.

Regulation 5 amends section 77A of the Act to update the definition of "member State".

Regulation 6 amends Group 8 of Schedule 9 to the Act to correct an inadvertent extension of the zero-rate of VAT for transport services related to the import and export of goods. The amendment ensures that the zero-rate of VAT only applies, as intended, to goods entering or leaving the Island and the United Kingdom, and not to goods moving between the Island and Northern Ireland.

Regulation 7 amends Schedule 9ZA to the Act which concerns the movement of goods between the Island and Northern Ireland to ensure that the Protocol on Ireland/Northern Ireland is correctly implemented in the Island. The modifications clarify the VAT treatment of certain supplies of goods made between the Island and Northern Ireland.

Regulation 8 amends Schedule 9ZB to the Act. Part 1 of the Schedule makes particular provision for the treatment of low value imported goods (goods sent in consignments valued at £135 or less) sold by businesses to customers in the Island. That Part relieves the import VAT due on the removal of the goods to the Island and instead provides that the place of supply of those goods is the Island. It therefore

creates a liability to account for VAT on that supply. These Regulations amend Part 1 so that references to goods being imported in the relevant provisions will include low value goods sold from the European Union to the Island that are transported via Northern Ireland. Regulation 8 also corrects a typographical error.

4. Reasons for the measure

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

The Regulations address issues arising from the Northern Ireland Protocol in relation to VAT, where there is a movement of goods between the Island and Northern Ireland, so that such movements are treated in the same manner for VAT purposes as they would if moved between Great Britain and Northern Ireland.

5. Resource implications

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

6. Tynwald procedure

These Regulations are subject to the negative Tynwald procedure under section 51 of the Taxation (Cross-border Trade) Act 2018, as it has effect in the Island.