

# **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 (Accounting Procedures for Import VAT for VAT Registered Persons) 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 UK.

### **3. Effects of the measure**

These Regulations allow Island VAT registered businesses to change the way they account for VAT on imported goods. Businesses will be able to receive imports without prior payment of import VAT, provided their VAT registration number is shown on the declaration made when the goods are declared for free circulation in accordance with the Taxation (Cross-border) Trade Act 2018 ("TCTA"), (and, where goods were previously declared for a special customs procedure under TCTA, provided that conditions relating to that procedure are complied with). In this situation, the business is required to account for the import VAT due on its normal VAT return (and will be able to recover it in the same return as input tax, subject to the normal rules). This is commonly referred to as "postponed accounting". There is provision for estimation of the import VAT due where the Treasury is satisfied that the business is unable to establish the exact amount.

The Treasury may direct that a registered business may not use "postponed accounting" if it is decided that it is necessary for the protection of the revenue.

There is also provision for the payment of interest in cases of official error by the Treasury. There are specific rights of appeal in relation to articles 9 and 10, otherwise normal VAT appeal rules apply.

### **4. Reasons for the measure**

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

### **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.