

# **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 (Amendment) (No. 2) 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 amend the Value Added Tax Regulations 1996 as a consequence of the United Kingdom's withdrawal from the European Union and also amends Part 24 of the VAT Regulations in relation to the agricultural flat-rate scheme ('AFRS').

The amendments include the removal of references to "acquisition VAT" and "member States", and the extension of import VAT to EU member States so that the supplies from the EU are treated in the same way as the rest of the world for VAT purposes. References are also amended to refer to new terminology, such as "temporary admission" as a consequence of the implementation of the Taxation (Cross-border Trade) Act 2018, as it has effect in the Island.

The amendments to Part 24 provide for admission to the AFRS, certification and cancellation of certificates and the requirement to keep and produce records.

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

The Regulations address deficiencies arising from the United Kingdom's withdrawal from the EU and form part of a package of measures corresponding to provisions in the United Kingdom.

They also amend the eligibility criteria for the AFRS, which is designed as an alternative for small farming businesses to the administrative burden of VAT.

### **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 95(1) of the Value Added Tax Act 1996.