

Explanatory Memorandum to Tynwald Members

Issued by the Department of the Treasury

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

1. Title of measure

Value Added Tax (Flat Rate Scheme) 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 regulation 55K of the Value Added Tax Regulations 1996 by substituting the percentages at which certain small businesses account for and pay VAT shown in the Table within that regulation. The affected business sectors are catering services including restaurants and takeaways, hotels and holiday accommodation and public houses.

The relief is a temporary measure and comes into operation on 12 January 2021 and extends until 30 September 2021.

4. Reasons for the measure

The changes introduced are intended to benefit business sectors particularly affected by the coronavirus pandemic and designed to support the re-opening and continuance of these sectors.

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 expected that the measure will be a benefit to businesses by reducing the VAT they are required to charge and account for to the Treasury. Whether an adjustment in VAT income under the FERSA agreement is required, is yet to be determined.

6. Tynwald procedure

These Regulations are subject to the negative Tynwald procedure under section 95(1) of the Value Added Tax Act 1996.