

EXPLANATORY MEMORANDUM TO
THE VALUE ADDED TAX (REDUCED RATE) ORDER 2007

2007 No. 1601

1. This explanatory memorandum has been prepared by HM Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

2. Description

2.1 This Order amends Schedule 7A (Charge at Reduced Rate) to the Value Added Tax Act 1994 (c. 23) (“Schedule 7A”).

2.2 Articles 3(a) and 4 add a new Group 10 (Installation of mobility aids for the elderly) to the Index at Part 1 of and at the end of Part 2 of Schedule 7A.

2.3 Articles 3(b) and 5 add a new Group 11 (Smoking cessation products) to the Index at Part 1 of and at the end of Part 2 of Schedule 7A.

2.4 The Committee is respectfully referred to the explanatory note to the Order for the specific detail.

3. Matters of special interest to the Select Committee on Statutory Instruments

The amendments made by Articles 3(b) and 5 will only apply for the period 1st July 2007 to 30th June 2008.

4. Legislative Background

4.1 This Order has been made by the Treasury in exercise of their powers under sections 29A and 96(9) of the Value Added Tax Act 1994.

4.2 Section 29A(3) provides that the Treasury may by order vary Schedule 7A by adding or deleting from it any description of supply or by varying any description of supply for the time being specified in it.

4.3 Section 29A(4) provides that the power to vary Schedule 7A conferred by sub-section (3) may be exercised so as to describe a supply of goods or services by reference to matters unrelated to their characteristics and that, in the case of a supply of goods, those matters include, in particular, the use that has been made of the goods.

4.4 Section 96(9) provides that the power to vary Schedule 7A includes a power to add to, delete or vary any notes to that Schedule.

5. Extent

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

The Paymaster General, Dawn Primarolo, has made the following statement under section 19(1)(a) of the Human Rights Act 1998:

In my view the provisions of the Value Added Tax (Reduced Rate) Order 2007 are compatible with the Convention rights.

7. Policy background to Articles 3(a) and 4

7.1 The Government has introduced a reduced rate for the installation of mobility aids for the elderly and related supplies of the mobility aids themselves as part of its strategy to support the needs of older people.

7.2 Reducing the rate of VAT to make such services and products cheaper is designed to enable more elderly people to continue to live independently in their own homes or with relatives.

Policy background to Articles 3(b) and 5

7.3 The Government has introduced a reduced rate for supplies of smoking cessation products as part of its overall strategy to promote good health which includes the introduction of smoke free legislation which comes into effect in England on 1 July 2007. Scotland, Wales and Northern Ireland already have a ban on smoking in public places and the reduced rate will also apply there.

7.4 Reducing the rate of VAT to make such products cheaper for a period of one year is designed to make these products more accessible and therefore to help and encourage people who are trying to stop smoking tobacco.

8. Impact

8.1 A regulatory impact assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

8.2 The impact of articles 3(a) and 4 on the public sector is minimal. Articles 3(b) and 5 will benefit the National Health Service by a reduction in costs.

9. Contact

9.1 Steve Lumby at HM Revenue and Customs Tel: 0207 147 0409 or e-mail:

stephen.lumby@hmrc.gov.uk can answer any queries regarding Articles 3(a) and 4 of this instrument.

9.2 Richard Bysouth at HM Revenue and Customs Tel: 0207 147 0328 or e-mail: richard.bysouth@hmrc.gov.uk can answer any queries regarding Articles 3(b) and 5 of this instrument.