

EXPLANATORY MEMORANDUM TO
THE VALUE ADDED TAX (INCREASE OF REGISTRATION LIMITS)
ORDER 2008

2008 No. 707

1. This Explanatory Memorandum has been prepared by Her Majesty's Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

This memorandum contains information for the Select Committee on Statutory Instruments.

2. **Description**

The instrument increases the VAT registration and deregistration thresholds in respect of both taxable supplies (Schedule 1 to the Value Added Tax 1994 ("the Act")) and acquisitions from other member States (Schedule 3 to the Act) in line with inflation. The increase takes effect on 1st April 2008.

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

3.1 The laying of the instrument before the House of Commons breaches the '21 day rule'. The instrument has been made by the Treasury in exercise of its powers under paragraph 15 of Schedule 1 and paragraph 9 of Schedule 3 to the Act. Section 97(5) of the Act provides, with certain exceptions that are not applicable here, that a statutory instrument made under any provision of the Act shall be subject to annulment in pursuance of a resolution of the House of Commons.

3.2 The instrument implements measures announced as part of yesterday's Budget. These measures are to take effect from 1st April 2008, the beginning of the first month after the Budget to ensure that the maximum number of businesses will benefit from the change. Consequently, it was not possible to lay this instrument before the House of Commons 21 days before commencement.

4. **Legislative Background**

4.1 Under paragraph 15 of Schedule 1 and paragraph 9 of Schedule 3 to the Act the Treasury may by Order increase the VAT registration and deregistration thresholds in respect of both taxable supplies and acquisitions from other member States by such sums as they see fit.

4.2 The effect of this instrument is to increase the VAT registration limits for taxable supplies and for acquisitions from other member States in line with inflation from £64,000 to £67,000. This instrument also makes corresponding increases to the limit for cancellation of registration from £62,000 to £65,000 in the case of taxable supplies and £64,000 to £67,000 in the case of acquisitions from other member States.

5. Territorial Extent and Application

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

The Financial Secretary to the Treasury, Jane Kennedy M.P., has made the following statement regarding Human Rights:

“In my view the provisions of the Value Added Tax (Increase of Registration Limits) Order 2008 are compatible with the Convention rights.”

7. Policy background

The UK's VAT registration threshold (above which persons making taxable supplies are required to register and account for VAT) is currently set at £64,000 and is the highest in the EU. The high threshold is an advantage to small firms although they can choose to register voluntarily if trading below the registration limit. The deregistration threshold for taxable supplies is currently £62,000 – set lower than the registration threshold to avoid businesses trading around the threshold level constantly registering and deregistering. Historically, the thresholds have normally been increased in successive budgets broadly in line with inflation to maintain their real level.

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 on the public sector is negligible.

9. Contact

Philip Dann at Her Majesty's Revenue and Customs Tel: 0207 147 0353 or e-mail: philip.dann@hmrc.gsi.gov.uk can answer any queries regarding the instrument.