

**EXPLANATORY MEMORANDUM TO
THE VALUE ADDED TAX (AMENDMENT) REGULATIONS 2013**

2013 No. 701

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs ("HMRC") and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 This instrument amends Part 17 (new means of transport) of the Value Added Tax Regulations 1995 (S.I. 1995/2518) ("the Principal Regulations") to implement a new notification scheme in relation to the arrival in the United Kingdom ("UK") of a motorised land vehicle (a "land vehicle")¹. This scheme applies to both new and used land vehicles and requires their arrival in the UK to be notified to HMRC in the manner prescribed in the Regulations and for any VAT due in the case of an arrival which is an acquisition to be paid at the time and in the manner prescribed in the Regulations.

2.2 The previous notification scheme for acquisitions of new means of transport (ships, aircraft and land vehicles) contained in regulation 148 of the Principal Regulations is amended so that it is limited to new ships and new aircraft with a revised time limit for notification to match the time limit for the new notification scheme.

2.3 As regulation 148 makes provision as to time limits for notification and payment of acquisition VAT due subsequent to an acquisition, this instrument makes it clear that the amendments to regulation 148, and the new regulation 148A, will not apply to arrivals in the UK of any new means of transport that are motorised land vehicles on or before 14th April 2013.

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

3.1 None.

4. Legislative Context

4.1 This instrument amends the Principal Regulations.

5. Territorial Extent and Application

5.1 This instrument applies to the whole of the UK.

¹ The definition of a motorised land vehicle can be found in section 95(1)(c) of the Value Added Tax Act 1994 (definition of a new means of transport) and this definition is applied to a new or used means of transport by paragraph 2(5D) of Schedule 11 to that Act.

6. European Convention on Human Rights

As this instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- *What is being done and why*

7.1 At Budget 2011, the Government announced a joint HMRC-DVLA initiative to combat VAT fraud on land vehicles brought into the UK.

7.2 From 15th April 2013, a person bringing a land vehicle into the UK from within the EU or outside of the EU will, subject to certain specified exceptions, have to make a notification to HMRC within 14 days of the arrival of the land vehicle in the UK.

7.3 In the case of the acquisition of a land vehicle from within the EU, non taxable persons and any taxable persons acting in a private capacity will be required to pay any acquisition VAT due at the time of notification. Taxable persons acting in a business capacity will continue to make payment through their VAT returns.

7.4 A key change to the system is that HMRC must be notified of the arrival of a land vehicle in the UK prior to any application to license and register it with the appropriate UK vehicle licensing agency. Until such a notification is made to HMRC, it will not be possible to license and register a land vehicle with the appropriate UK vehicle licensing agency.

7.5 A consultation document was published on 31 May 2011 and a summary of responses document was published on 6 December 2011. The legislation covering this scheme was introduced in Finance Bill 2012 and provides the vires for this instrument.

Consolidation

7.6 There are no projects presently on hand to consolidate the Principal Regulations.

8. Consultation outcome

8.1 These changes have been consulted upon and are generally supported. Changes have been made to address specific concerns.

9. Guidance

9.1 Guidance will be published before the changes take effect.

10. Impact

10.1 A Tax Information and Impact Note covering this instrument will be published on the HMRC website at <http://www.hmrc.gov.uk/thelibrary/tiins.htm>.

11. Regulating small business

11.1 The changes will have no specific impact on small businesses.

12. Monitoring & review

12.1 The new system will produce management information reports which will be used to assess its effectiveness. It will be subject to a programme of on-going review which will address market trends and associated compliance issues.

13. Contact

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