

TAXREP 36/01

VAT: NON-MONETARY CONSIDERATION

*Text of a letter sent in December 2001 to Customs by the Tax Faculty of the
Institute of Chartered Accountants in England and Wales in response
to an invitation to comment issued in October 2001.*

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1. I write further to the request for comments in Business Brief 14/01 dated 9 October 2001. We are pleased to note that Customs have decided to carry out a review of non-monetary consideration with a view to providing clarification.
2. The law covering this area in the Sixth Directive is complex and bears little relationship to the real world. Indeed, the legislation is so complicated as to discourage businesses from using some vouchers. We hope that recasting the Directive which we understand is in hand by the European Commission will result in a tidying up of the European law and that Customs will take the opportunity to recast and simplify the UK law.
3. In the meantime, in order to assist traders who need to consider what action to take now, we trust that Customs will issue guidance on the current UK law following the Littlewoods/Lex/Bugeja/Kuwait cases reported at [2001] STC 1568-1614 even though we understand that they may be appealed; we would welcome the opportunity to comment on any intended publication.
4. We would also welcome feedback of the results of the discussions of Customs' joint liaison group that we participated in a year or so ago.

14-69-38

PCB

20.12.01