

Budget Tips 2007 - Did The Chancellor Listen?

Will you be picking up the bill for someone else's VAT?

Q: Someone told me I might have to pay my suppliers' or customers' VAT bills if they don't pay. Surely that's their responsibility not mine?

A: It is their responsibility, but if they don't pay their VAT then you'll be asked to pay if you deal in certain goods and HMRC believe you should have suspected that another trader in the supply chain would not pay their VAT. Since 2003, the goods affected have included computers (including 'SatNavs') and telephones but this list is being extended from 1 May 2007 to include other electronic equipment.

The guidance you should check is HMRC VAT Notice 726 and BN60. You should also check if you are affected by the proposed reverse charge VAT rules to be introduced from 1 June 2007 in respect of mobile telephones and computer chips, see HMRC Brief 24/07.

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Fuel Provided By Businesses For Private Motoring –Vat Changes.

Q: Who is likely to be affected and when?

A: The changes will affect any businesses which reclaim VAT on fuel used for private motoring. The changes apply for all VAT accounting periods beginning on or after 1 May 2007 and are part of the move towards green policies.

Q: What are the changes?

A: Scale charges for use of private fuel are added to businesses VAT liabilities. The amount of the scale charge is currently dependent on whether the fuel is diesel or petrol and also on the size of the engine. The changes mean that the scale charge will be dependent on the CO² emissions of the vehicle. This means that businesses will have to refer to the CO² emission table to work out the fuel scale charge that applies to each car.

Q: How will I find the new fuel scale charges?

A: The tables of charges based on CO² emissions can be found at www.hmrc.gov.uk/budget2007/bn55.pdf

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Am I really losing IBAs on my hotel development?

Q: Someone told me that IBAs are being withdrawn after the Budget. Surely this will only affect new projects?

A: The Chancellor has indeed announced the intention to withdraw industrial building allowances (IBAs) and agricultural building allowances (ABAs). Hotel allowances are a subset of IBAs and so are also being withdrawn over the next four years. As of Budget Day you are unable to make any balancing adjustments or recalculate the writing down allowances available after a sale, and more importantly all of these allowances will be gone by April 2011. In the interim period they are to reduce from the current rates, typically 4%, by 25% per annum, so at the standard rates 08/09 will become 3%, 09/10 will become 2% and 10/11 will become 1%. Thereafter no allowances will be available - unless Mr Brown has a change of heart!

The guidance you should check is Finance Bill [Clause 35](#) and HM Treasury Budget Note BN07.

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