

Amendment	Clause	Page	Line
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Paul Boateng (Brent South – Lab)

Amendment 61

Page 17, line 33, at end insert –

‘(2A) In section 84(3) of that Act (appeals not to be entertained unless the VAT has been paid or deposited, except where that would cause hardship) for “or (q)” substitute “,(q) or (ra)”.’.

EXPLANATORY NOTE

CLAUSE 18: Joint and several liability for unpaid VAT of another trader

SUMMARY

1. This clause introduces a targeted anti-fraud measure that imposes a joint and several liability for payment of VAT. If Customs establish that businesses either knew or had reasonable grounds to suspect that VAT would go unpaid within the same supply chain, Customs can recover the unpaid VAT from any business involved in that supply chain. This will apply to both the supplier and recipient of certain commodities strictly specified in the legislation. Additional safeguards will ensure that innocent businesses are not unwittingly caught by this measure. It took effect on 10 April 2003.

DETAILS OF THE AMENDMENT

2. Subsection (2A) refers to section 84 (Further provisions relating to appeals) of the Value Added Tax Act 1994 and amends section 84(3) (appeals not to be entertained unless the VAT has been paid or deposited, except where that would cause hardship) to enable subsection (2) of this clause to apply. This means that when a business is liable to pay VAT arising by virtue of this clause, that business will be required to pay or deposit the VAT before their appeal to the VAT and Duties Tribunal can be heard.

BACKGROUND

3. This measure is intended to help tackle Missing Trader Intra-Community VAT fraud – a fraud that cost the UK between £1.7 - £2.75 billion in

2001/02. It is targeted at fraudsters who are distorting and damaging honest competition and is wholly consistent with the Government's fairness and enterprise agendas.

4. The proposed amendment has been prompted by questions from the trade which have disclosed a possible avenue for abuse in that the clause as drafted does not bring the new measure in line with the requirements that apply to other assessments and penalties. This amendment does no more than redress that.