

**EXPLANATORY NOTE**

**CLAUSE 97: VAT: JOINT AND SEVERAL LIABILITY OF  
TRADERS IN SUPPLY CHAIN WHERE TAX UNPAID**

**AMENDMENT 2**

**SUMMARY**

1. This amendment makes all orders under section 77A of the VAT Act 1994, joint and several liability of traders in supply chain where VAT unpaid, subject to the affirmative procedure.

**DETAILS OF THE CLAUSE**

2. Clause 97 of the Finance Bill 2007 amends the joint and several liability provisions applicable to traders who know, or have reasonable grounds to suspect, that VAT will go unpaid elsewhere in a supply chain. It introduces a new power to allow HM Treasury, by order, to extend or otherwise alter the circumstances in which a person is presumed to have reasonable grounds for suspecting that VAT will go unpaid.
3. This amendment to clause 97 amends section 97(4) of the VAT Act 1994. This lists those powers to make orders contained in the VAT Act which are subject to affirmative resolution, i.e. they must be approved by the House of Commons within 28 sitting days of making, excluding any time during which Parliament is dissolved or prorogued or during which the House of Commons is adjourned for more than 4 days.
4. This amendment adds to section 97(4) orders made under section 77A(9) and (9A) of the VAT Act, so that these become subject to the affirmative resolution procedure. Section 77A(9) contains the power already in existence which allows an order to be made to vary the goods to which joint and several liability can be applied. Section 77A(9A) contains the new power being inserted by clause 97 of the Finance Bill to allow an order to be made to extend or otherwise alter the circumstances in which a person is presumed to have reasonable grounds for suspecting that VAT will go unpaid.

**BACKGROUND NOTE**

5. This Government amendment fulfils a commitment given by the Financial Secretary in the Finance Bill Committee debate on clause 97 on 7 June 2007.