

Draft VAT legislation on capital items, non-business use, partial exemption simplification, and change of VAT rate

[Revenue & Customs Brief 47/10](#) introduces draft legislation amending the VAT capital goods scheme (CGS) to take into account non-business use and bring boats and aircraft within its scope. There are also: proposed partial exemption simplifications which will feature an optional special method covering non-business use and a 'de minimis' approach to minor CGS adjustments; confirmation in legislation of HMRC's policies to permit businesses which were not VAT registered when they acquired CGS assets to apply the CGS going forward; and that the representative member of a VAT group is the owner of all of the group's CGS assets for VAT purposes.

The draft legislation also includes provisions for the invoicing of the VAT anti-forestalling 'supplementary charge' and new rates and thresholds for the Flat Rate Scheme, both of which become effective on 4 January 2011 (the date of the increase in the standard rate of VAT from 17.5% to 20%).

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