

Revenue & Customs Brief 28/08

VAT: Land & buildings – announcing a new revised Notice 742A - Opting to tax land and buildings and associated forms and certificates

This brief announces a new revised Notice 742A - Opting to tax land and buildings and the publication of a number of new forms and certificates.

Background

1. Following consultation, a new Schedule 10 to the VAT Act 1994 (which deals with the option to tax of land and buildings), comes into effect on 1 June 2008. In addition to being re-written in a more simplified style to improve the understanding of the legislation, the new Schedule 10 also introduces the right for businesses to revoke an option to tax. This includes necessary changes to facilitate revocation and a few minor additional changes requested by business.

What is being published?

2. On 1 June 2008, we are publishing on our website a new revised Notice 742A. This revised notice replaces the March 2002 version and its three updates and also consolidates Information Sheet 03/08 which detailed the changes following the introduction of the new Schedule 10. Information Sheet 03/08 is withdrawn from 31 May 2008.
3. In addition, we are publishing a series of new and updated forms and certificates dealing with the option to tax (again available on our website). These forms and certificates, like the clearly marked boxed text in notice 742A, are tertiary legislation and have force of law. The use of these forms and certificates is therefore compulsory although HMRC will, until further notice, continue to accept notification of an option to tax (form 1614A) in a different format (subject to **all** of the same required information being provided).

Other changes

4. We are grateful for the comments received from business on Information Sheet 03/08 and the new legislation. We have taken the opportunity in the revised Notice 742A to make some minor changes to clarify the guidance and tertiary legislation. The changes we have made to what was shown in Information Sheet 03/08 are as follows:
 - the identifying letter for each piece of tertiary legislation (boxed text) has been changed to fit within the structure of the new notice
 - in Box E - the valuation condition – we have made the time when the 10 year period ends clearer

- in Box G - all conditions – we have made it clearer that consideration must be given not only to the opter but also to any relevant associate of the opter and includes two additional explanatory notes to explain what 'connected' and 'relevant associate' means
- in Box G – the 20 year condition – we have removed the confusion surrounding the words 'had effect'
- in Box K – we have made it clear that the time of notification is the time the Real Estate Election is made
- in paragraph 8.1.4 of the revised Notice 742A, we have made it clearer that permission for revocation within the six month cooling-off period can only be considered if the taxpayer has met conditions a) to e) in paragraph 8.1.2 but fails to meet the condition in Box F

Further information

5. Further information can be obtained on the HMRC website or through the National Advice Service (NAS) on Tel 0845 010 9000.

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