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Simplification of partial exemption and the Capital Goods Scheme: call for evidence

Joint response by the Chartered Institute of Taxation and the Association of Taxation Technicians

1 Introduction

- 1.1 The Chartered Institute of Taxation (CIOT) and the Association of Taxation Technicians (ATT) welcome the opportunity to respond to the HM Revenue and Customs (HMRC) [call for evidence](#) on the simplification of partial exemption and the Capital Goods Scheme (CGS).
- 1.2 This call for evidence poses 28 questions across the following 7 areas:
- Partial Exemption Special Methods (PESMs)
 - Increasing the de minimis limit
 - Removal of the de minimis limit
 - CGS Thresholds
 - Categories
 - Intervals
 - Other possible areas to review
- 1.3 As an educational charity, the CIOT's primary purpose is to promote education in taxation. One of the key aims of the CIOT is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. The CIOT's comments and recommendations on tax issues are made solely in order to achieve this aim; it is a non-party-political organisation.
- 1.4 The CIOT's stated objectives for the tax system include:
- A legislative process which translates policy intentions into statute accurately and effectively, without unintended consequences.
 - Greater simplicity and clarity, so people can understand how much tax they should be paying and why.
 - Greater certainty, so businesses and individuals can plan ahead with confidence.
 - A fair balance between the powers of tax collectors and the rights of taxpayers (both represented and unrepresented).
 - Responsive and competent tax administration, with a minimum of bureaucracy.

- 1.5 The primary charitable objective of the ATT is to promote education and the study of tax administration and practice. The ATT places a strong emphasis on the practicalities of the tax system. Its work in this area draws heavily on the experience of its members who assist thousands of businesses and individuals to comply with their taxation obligations. This response is written with that background.
- 1.6 We would be pleased to discuss any aspect of this response further and contact details can be found in Section 12.

2 Our approach in responding to the call for evidence

- 2.1 A joint survey of CIOT and ATT members (referred to as 'our survey') was undertaken to gather evidence in each of the areas set out in paragraph 1.2, particularly (although not exclusively) from an agent's perspective.
- 2.2 Our questions broadly followed those set out in the call for evidence, with additional questions to assist with understanding or to provide a fuller response. We received 267 responses to our survey and a further three responses via written feedback. Summaries of the survey responses received are included at Appendices A (survey results) and B (a further survey response) to this submission.
- 2.3 For ease of readability in this document, percentages have been rounded up or down to the nearest whole number. For ease of reference, the respondent numbers and percentages are based on the survey results at Appendix A, rather than a combination of survey and freeform responses.
- 2.4 It was not a requirement that respondents answer all questions on our survey. For some questions, respondents could select more than one response.

3 Executive summary

- 3.1 The recurring key messages from our survey regarding simplification of PESMs are:
- Reduce the timescales involved with the approval process.
 - Adequately resource the Tax Avoidance and Partial Exemption (TAPE) team to deliver responses to timescales.
 - Upskill the staff in the TAPE team.

In addition, we believe that HMRC should consider introducing achievable timelines for administering PESMs. This would both manage expectations of those applying and help HMRC to ensure that the TAPE team are adequately resourced.

- 3.2 Our survey showed limited support for allowing PESMs to be applied without prior approval from HMRC. Respondents noted a number of concerns, a key one being the lack of certainty that would result from this. There was more support for the increased use of sectoral frameworks, though it was noted that these may not be appropriate for all businesses, and should therefore only ever be optional.
- 3.3 Our survey showed strong support for increasing the partial exemption de minimis limit. However, it is arguable that this in itself would not simplify the administration of partial exemption, as the same quarterly and annual calculations would need to be completed as well as the allocation of business costs to the taxable/exempt/residual categories. We would therefore like to see a combination of measures introduced

that increase the de minimis whilst also simplifying the administrative burden on businesses. This could include introducing a simpler test, possibly based on a series of thresholds of total expenditure, to prevent small businesses having to spend time completing cost allocations and carrying out standard method calculations.

- 3.4 With regards to the CGS, our survey showed strong support for raising the land and property threshold. This threshold has not been increased since the introduction of the CGS in 1990, and is therefore massively out of line with current commercial property values. Increasing it would reduce complexity and administration for smaller businesses in particular. Our survey also shows support for the removal of computer equipment from the CGS.
- 3.5 Once the call of evidence responses have been considered, we would urge further, more detailed consultation with stakeholders prior to the introduction of any new measures.

4 Partial Exemption Special Methods – CFE Questions 1-8 / Survey Responses 2-11

4.1 Q1. Does your business use a PESM? If so, what was your experience in getting the PESM approved?

Our survey asked this question separately of businesses and tax agents. Out of 151 businesses that responded, 31 have a PESM. Out of 154 agents that responded, 55 have clients with a PESM.

We had 99 respondents rate their experience of getting a PESM approved from 1-10, with 1 being very difficult and 10 being very easy. The average score was 4, indicating that, on balance, respondents found it slightly difficult.

4.2 Q2. How long did the approval process take?

Of those responding to this question, 30% said it took between 6-12 months, followed by 19% who said it took 3-6 months and a further 19% saying 12-24 months. 9% of those responding indicated the approval process took over two years.

- 4.3 There were freeform responses providing more details about delays. Most of the responses detailed excessive timelines with one case taking over 3 years. Another case took over two years and what was finally agreed was the method proposed in the original application. The responses also highlight long periods of time waiting for HMRC to respond, with two examples of waiting 8-9 months before simply being asked for more information.

The key messages from these comments were:

- The timeline for dealing with PESMs is normally excessive
- HMRC's TAPE team appears to be under-resourced for the number of cases
- The staff in the team may require upskilling in legal, technical and commercial areas

- 4.4 We note that there is no timeline for PESM administration published in section 6 of HMRC's [Public notice 706](#), only that taxpayers have 30 days to raise concerns after HMRC issue their acceptance of a PESM. In order to adequately resource the TAPE team, we believe that HMRC should consider what are achievable timelines for it to administer PESMs. For example, once a new case is received, HMRC has 30 days in which to request more information. HMRC sets out in [VAT Notice 700/2](#) its timelines in dealing with approvals for administration of VAT groups; the PESM application process should have something similar. The TAPE team should then be

adequately resourced with suitably trained and experienced staff so that these targets are met in the majority of cases. It may be that a different timeline is required for cases deemed to be more complex.

4.5 In the period 1 January to 31 March 2019, HMRC confirmed to us that HMRC received 71 new PESM requests. It would be interesting to analyse what percentages of these cases were:

- contacted by HMRC within 30 days of receipt of the application
- finalised within 3 months of receipt, or between 3 to 6 months of receipt, and
- the reasons as to why any cases are still live after 6 months.

There will always be cases that are very complex but lengthy timelines to agree PESMs should be the exception. As a PESM is normally allowed to be used from the start of the tax year in which the declaration to the written application is received, this can result in several years of adjustments to be made to the VAT account.

4.6 *Q3. Do you find the administration involved with PESMs challenging?*

Of those responding to this question, 48% found the administration challenging or fairly challenging and 23% said it was not challenging. The freeform comments to this question mainly fall within the themes below, to which we have added some points for HMRC to consider:

- Long delays communicating with HMRC – this comes back to the matter of adequately resourcing the TAPE team discussed above. This also causes a period of uncertainty accounting for input VAT whilst waiting for HMRC's agreement; one respondent said that their client incurred a penalty for the subsequent adjustment that was required which then had to be appealed.
- Difficulties negotiating with HMRC TAPE staff – does HMRC need to carry out some upskilling of staff?
- Difficulties are encountered in changing an existing PESM to adapt to a change in the business model or one-off transactions – should there be a timeline for amending an existing method? Could HMRC publish parameters in which taxpayers can adjust an existing method without the need for further approval?
- Inadequate guidance on how to prepare a PESM or identify what information should accompany the application – can this guidance be reviewed and improved? Does the TAPE team encounter regular issues with information requests that additional guidance could prevent?
- Proposals can be rejected without saying why they are not acceptable.
- One respondent experienced receiving a PESM that did not reflect the calculation proposed.

4.7 *Q4. Would allowing businesses to apply PESMs without seeking approval improve the system? Please give reasons for your answer.*

Responses to this question were mixed, with 34% of those responding saying that this would improve the system, 33% saying it could possibly and 21% saying it would not. The freeform comments mention:

- Businesses require certainty - providing a taxpayer meets the criteria as published it should have certainty that it may rely on the PESM.
- Concerns around challenges being raised by HMRC at a later stage for PESMs that are not pre-approved.
- Reducing delays corresponding with HMRC would improve the system – pre-approved methods could fast-track the application process.

4.8 Q5. *Would there be issues created by removing the requirement to seek approval of a PESM?*

77% of those responding to this question said that there would be, or possibly would be, issues created. As set out in paragraph 4.7 above, the key points made in the freeform responses were lack of certainty and the risk of subsequent challenge by HMRC.

4.9 Q6. *Would an increased focus on the use of sectoral frameworks be of benefit, particularly if approvals were removed?*

75% of those responding to this question said yes or possibly. The freeform comments were a combination of some supporting this measure with others highlighting the complexities and differences for businesses in the same sector. We also received independent feedback outside of the survey suggesting that if a framework could not be agreed, then having some points of principle that HMRC are prepared to say they will accept could also provide certainty for both businesses and TAPE officers.

4.10 Q7. *Do you have other suggestions to improve or simplify the application of the PE regime?*

The most common response received to this question was to increase the de minimis limit.

We agree that this limit does need to be reviewed and increased. One idea is that the limit could be tied to the VAT registration threshold. When the £7,500 de minimis limit was originally introduced in 1996, the VAT registration threshold was [£47,000 per annum](#), meaning the threshold represented c.16% of taxable turnover. For the current £85,000 VAT registration threshold, applying the same percentage would give a current de minimis limit of £13,564. There therefore appears to be a strong argument for an increase, though we note that linking the de minimis limit directly to the VAT threshold may not be desirable, as it could lead to extra complexity and confusion when the VAT rate changes.

4.11 It is however arguable that a simple increase in the de minimis limit would not in itself simplify the administration of partial exemption. The same quarterly and annual calculations would need to be completed as well as the work undertaken to allocate costs of the business to the taxable/exempt/residual categories, which many businesses find difficult. We would therefore like to see a combination of measures introduced that increase the de minimis whilst also simplifying the administrative burden on businesses.

4.12 For the option to tax, Schedule 10 of the VAT Act 1994 allows HMRC to provide conditions for automatic permission; is there scope for automatic permission conditions to be considered for PESMs to reduce the burden on HMRC and simplify the process for the taxpayer?

4.13 Alongside any simplifications, improvement can also come from upskilling HMRC TAPE staff.

4.14 Q8. *Do you have other suggestions on how the way in which HMRC interacts with partly exempt businesses could be improved?*

The majority of the freeform responses to this question suggest the upskilling of TAPE staff. It is also considered unhelpful to have partial exemption under the same umbrella as 'Tax Avoidance' in the TAPE department.

5 Increasing the de minimis limit – CFE Questions 9-11 / Survey Responses 12-15

5.1 Q9. *What is your experience of carrying out the de minimis test?*

We had 126 respondents rate their experience of carrying out the de minimis test from 1-10, with 1 being very difficult and 10 being very easy. The average score was 6, meaning that most respondents found it slightly easy.

5.2 *Q10. What would the advantages and disadvantages of increasing the de minimis threshold be to business?*

Respondents largely appeared to support an increased de minimis threshold, indicating that this would have a number of advantages, including simplicity and time savings. However, as noted above, a higher threshold would not entirely lift small businesses out of completing partial exemption administration. We therefore believe that an increased threshold should be combined with a simpler test, possibly based on a series of thresholds of total expenditure, to prevent small businesses having to spend time completing costs allocations and carrying out standard method calculations. Very small businesses can struggle with having in-house expertise to complete the work.

5.3 The main disadvantage of increasing the de minimis threshold identified by respondents was that it would result in a bigger cliff edge effect of not being de minimis. Freeform comments also noted the loss of revenue to HMRC. One response noted that increasing the threshold may also reduce HMRC's compliance costs so the headline rate of lost revenue may have some offset on resourcing costs.

5.4 *Q11. Are you aware of the existing simplification, and do you make use of it?*

87% of those responding to this question were aware of the existing simplification, with 51% using it.

6 Removal of the de minimis limit – CFE Questions 12-14 / Survey Responses 16-19

6.1 *Q12. What would be the advantages and disadvantages of removing the de minimis test?*

Advantages identified by those responding include certainty on VAT recovery position, decreased administration and increased accuracy in recording input VAT, plus a level playing field across all taxpayers.

Disadvantages identified included that there would be reduced VAT recovery and extra time and resource requirements, and that the impact of these on small businesses would be disproportionately greater than to larger businesses.

6.2 *Q13. Do you have other suggestions to improve or simplify the application of the de minimis regime?*

One respondent suggested increasing the de minimis threshold for VAT groups.

No other additional substantive responses were received to this question that have not been noted elsewhere.

6.3 *Q14. Do you have any suggestions on how to determine what can be considered as 'insignificant' that would be different to the current de minimis tests?*

Suggestions received included having a fixed percentage of turnover or increasing the threshold.

7 CGS Thresholds – CFE Questions 15-21 / Survey Responses 20-29

7.1 *Q15. What is your experience of the CGS?*

Of those responding to our survey, 34 business indicated that they had assets within the CGS and 63 agents that they had clients with assets within the CGS.

Respondents were asked how easy they found it to administer the CGS on a scale of 1 to 10, with 1 being extremely difficult and 10 being extremely easy. The average score received was 4, indicating that, on average, respondents found this slightly difficult.

7.2 *Q16. How much time and resource do you allocate to carrying out CGS calculations? Does this have an impact on your business?*

Of those responding to this question, 41% indicated that they allocate a modest amount of time and resource to carrying out CGS calculations. 20% indicated they allocate a negligible amount, and 21% a significant amount.

Respondents were also asked to identify what impact this had on their business, on a scale of 1 to 10 with 1 being a negligible impact and 10 being a disproportionately large impact. The average response received was 4, indicating that the time and resources required to carry out CGS adjustments has a modest impact on businesses.

Freeform comments indicated that the amount of time and resources required can often be disproportionate compared to the size of the resulting adjustment. This could be due to the fact that proportions of exempt to taxable supplies vary only marginally, or that recover for the business is low. Some taxpayers can find it a difficult concept to understand and onerous once more than one or two items are in the scheme.

7.3 *Q17. To what extent does the CGS help to prevent cases of tax avoidance and unfair competition?*

We do not have any comments on this question.

7.4 *Q18. What would be the advantages and disadvantages of increasing the threshold for land and property businesses?*

The main advantage identified by our survey was simplicity, selected by 76% of those responding. Other advantages indicated by the survey include time savings (69% of those responding), not having to calculate adjustments for assets below the threshold (50% of those responding) and certainty of level of VAT recovery (49% of those responding). Freeform comments also indicated that increasing the threshold could assist in the sale of land and property – the CGS can cause difficulties and delays when an asset is sold, as time needs to be spent in compiling information even when both parties use it in a fully taxable business. With the threshold at £250,000 for property, the vast majority of purchases of property are captured by the scheme, when the point of having a threshold is to exclude smaller transactions.

Of those responding, 33% felt there would be no disadvantages of increasing the threshold for land and property. Disadvantages identified included the lack of a VAT adjustment if taxable use of assets below the threshold increases (31% of those responding), increased scope for abuse (30% of those responding) and reduced accuracy of VAT recovery where taxable use changes (29% of those responding).

7.5 *Q19. Would there be any other issues involved with increasing the land and property threshold?*

Some respondents indicated that increasing the threshold would assist businesses that have to change the use of the property on a temporary basis, for example letting surplus property during a downturn in business.

Others noted that the CGS is often poorly understood by small businesses. Lifting the threshold could prevent them having to perform complex calculations and remove concerns over being penalised for inadvertently getting it wrong.

There would need to be consideration of the interaction with the anti-avoidance legislation regarding the option to tax and also the notification issues when capital items are sold in TOGCs.

7.6 *Q20. If the threshold for land and property is increased, do you think we should consider having a different threshold for alterations, extensions, annexes and refurbishments, (ie retain the current threshold) or would it increase complexity?*

Our survey showed only limited support for having a different CGS threshold for alterations, extensions, annexes and refurbishments.

Of those answering this question, 46% said there should not be a different threshold, 24% that there should be and 20% that there possibly should be. Freeform comments indicated that the main reason for not supporting a different threshold was that this would add further unwanted complexity to the scheme. There was a suggestion that the interval periods for these works could be shorter.

7.7 *Q21. Are there other ways in which the CGS can be improved?*

Respondents made a number of suggestions in response to this question, including:

- Ignoring changes of use or adjustments below a certain threshold.
- Simplifying the method for calculating adjustments.
- Clearer guidance on what constitutes capital expenditure and treatment of assets constructed over a period covering more than one VAT year.
- Abolition of the CGS entirely.

8 Categories – CFE Questions 22-23 / Survey Responses 30-31

8.1 *Q22. Do you have experience of computers being included in the CGS?*

Most respondents answered no to this question (82% of those responding).

8.2 *Q23. Would removing computers from the CGS be a simplification for business?*

Our survey showed fairly strong support for removing computers from the CGS, with 55% of those responding to this question saying this would be a simplification, and only 9% that it would not.

Freeform comments indicated that the threshold was only experienced historically when mainframes were purchased, but that this is now largely obsolete. The impression is that the rule only applies to few very large businesses.

As the impact of this rule applies to few businesses in practice, its abolition should have no widespread impact and virtually no impact on small businesses.

9 Intervals – CFE Questions 24-25 / Survey Responses 32-34

9.1 Q24. What do you think of the current interval length?

Our survey had separate responses for land and buildings and for aircraft/boats/computers.

For land and property, the length was mainly thought to be appropriate (57% of those responding indicated that the interval length was 'about right'). Several comments said that refurbishments would generally take place more regularly than 10 years suggesting that the intervals for these works could be shorter.

The intervals were also broadly supported for aircraft and boats to counter avoidance on private use, though as noted above, application of the CGS to computers was rarely encountered and respondents questioned if it was still appropriate.

9.2 Q25. Would a change in the number of intervals help businesses with their administration of VAT? Why?

Our survey does not show strong support for changing the number of intervals, with only 9% of those responding indicating that this would help businesses with their VAT administration. By contrast, 32% of those responding thought it would not, and a further 32% that it could possibly help.

Some respondents indicated that the main problems with the CGS are initially identifying which assets fall within it and setting up the initial calculations and that, once this is done, it is then fairly straightforward to calculate annual adjustments. As such reducing the number of intervals would not materially affect the administrative burdens of the CGS.

Conversely, other respondents pointed out that businesses can undergo many changes over a ten year period (including staff changes, loss of records etc.) and that reducing the number of intervals would limit the impact of these.

10 Other possible areas to review - CFE Questions 26-28 / Survey Responses 35-37

10.1 Q26. Do you have other suggestions to improve and simplify the application of the PE and CGS regime?

The comments by respondents mainly repeated points discussed already in this response, including the importance of increasing and upskilling resource within HMRC and clearer guidance with more examples. A small number of responses suggesting the broadening of scope of the option to tax to other exempt supplies or removing exemptions altogether (though we note that the latter would not be possible whilst the UK is a member of the European Union).

Another suggestion was simplifying or at least re-numbering and reorganising Part XIV VAT Regulations 1995/2518, which are now very complex due to the number of changes over the years.

One respondent raised that there used to be a separate box on the VAT return for identifying the PE annual adjustment and bringing it back might make the awareness of PE much wider in the general trader population

and also give HMRC an idea of whether the annual adjustment is being done. However, Making Tax Digital may complicate this.

10.2 *Q27. Do you have any experience of the operation of PE and the CGS in other countries? How does the UK compare?*

No experiences were provided in the responses received to this question.

10.3 *Q28. Do you have any other comments?*

There was a limited response to this question with comments mainly reiterating feedback in earlier sections.

11 Acknowledgement of submission

11.1 We would be grateful if you could acknowledge safe receipt of this submission, and ensure that both the Chartered Institute of Taxation and the Association of Taxation Technicians are included in the List of Respondents when any outcome of the consultation is published.

12 Contact details

12.1 Should you wish to discuss any aspect of this response, please contact the relevant Technical Officers Jayne Simpson (JSimpson@ciot.org.uk) and Emma Rawson (erawson@att.org.uk).

13 The Chartered Institute of Taxation

13.1 The Chartered Institute of Taxation (CIOT) is the leading professional body in the United Kingdom concerned solely with taxation. The CIOT is an educational charity, promoting education and study of the administration and practice of taxation. One of our key aims is to work for a better, more efficient, tax system for all affected by it – taxpayers, their advisers and the authorities. The CIOT's work covers all aspects of taxation, including direct and indirect taxes and duties. Through our Low Incomes Tax Reform Group (LITRG), the CIOT has a particular focus on improving the tax system, including tax credits and benefits, for the unrepresented taxpayer.

The CIOT draws on our members' experience in private practice, commerce and industry, government and academia to improve tax administration and propose and explain how tax policy objectives can most effectively be achieved. We also link to, and draw on, similar leading professional tax bodies in other countries. The CIOT's comments and recommendations on tax issues are made in line with our charitable objectives: we are politically neutral in our work.

The CIOT's 18,500 members have the practising title of 'Chartered Tax Adviser' and the designatory letters 'CTA', to represent the leading tax qualification.

14 The Association of Taxation Technicians

14.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government and academia.

The Association has more than 9,000 members and Fellows together with over 6,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.

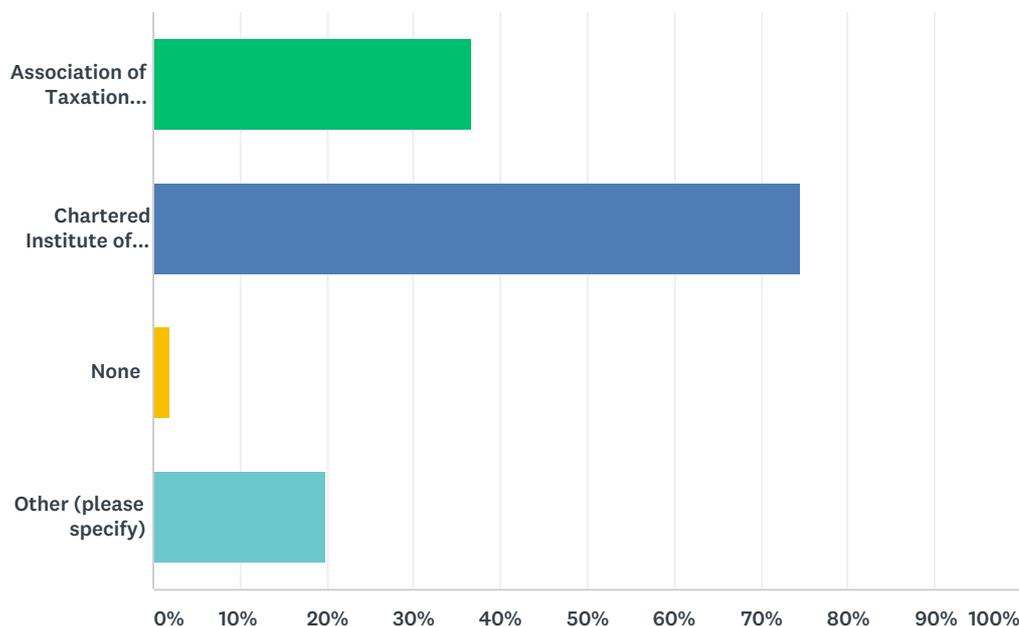
The Chartered Institute of Taxation

The Association of Taxation Technicians

25 September 2019

Q1 Please indicate which professional body you are a member of: (select all that apply)

Answered: 267 Skipped: 0



ANSWER CHOICES	RESPONSES	
Association of Taxation Technicians (ATT)	36.70%	98
Chartered Institute of Taxation (CIOT)	74.53%	199
None	1.87%	5
Other (please specify)	19.85%	53
Total Respondents: 267		

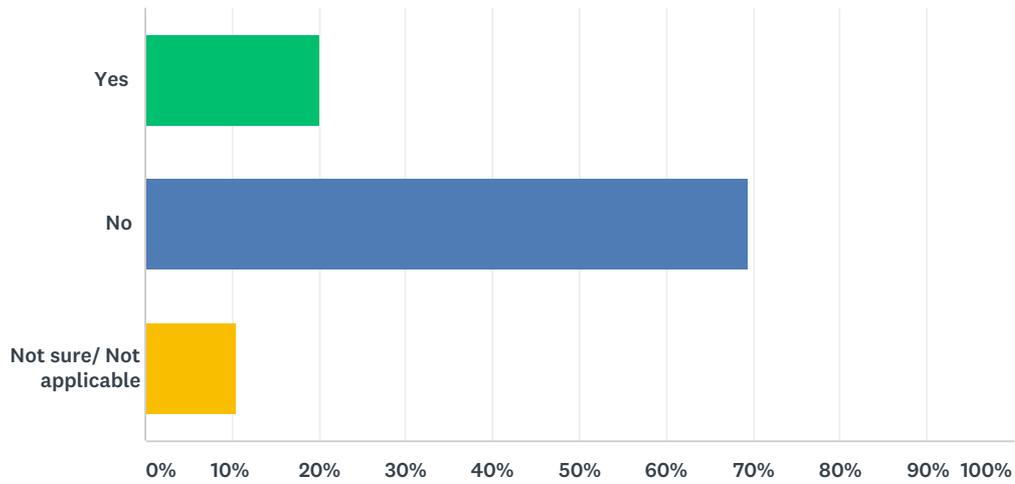
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2	ICAEW	8/25/2019 11:40 AM
3	AAT	8/23/2019 5:16 PM
4	ICAS	8/21/2019 10:18 AM
5	ACCA	8/20/2019 2:19 PM
6	VPG	8/19/2019 10:00 PM
7	CIMA AAT	8/15/2019 5:32 PM
8	Institute of Chartered Accountants of Scotland	8/14/2019 12:42 PM
9	AAT	8/14/2019 12:35 PM
10	ACCA	8/14/2019 10:45 AM
11	AAT	8/13/2019 3:42 PM
12	Institute of Chartered Accountants England & Wales	8/13/2019 1:47 PM
13	ICAEW	8/13/2019 11:48 AM
14	Law Society	8/13/2019 11:45 AM
15	ICAS	8/13/2019 9:56 AM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

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52	ICAEW	8/8/2019 4:29 PM
53	ICAW (ACA)	8/8/2019 4:28 PM

Q2 Does your business use a PESM?

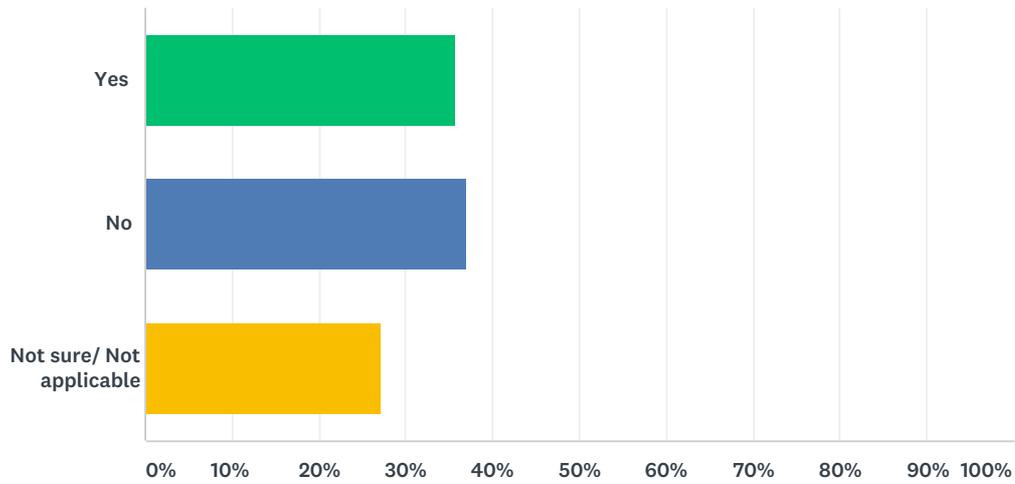
Answered: 154 Skipped: 113



ANSWER CHOICES	RESPONSES	
Yes	20.13%	31
No	69.48%	107
Not sure/ Not applicable	10.39%	16
TOTAL		154

Q3 Do any of your clients use a PESM?

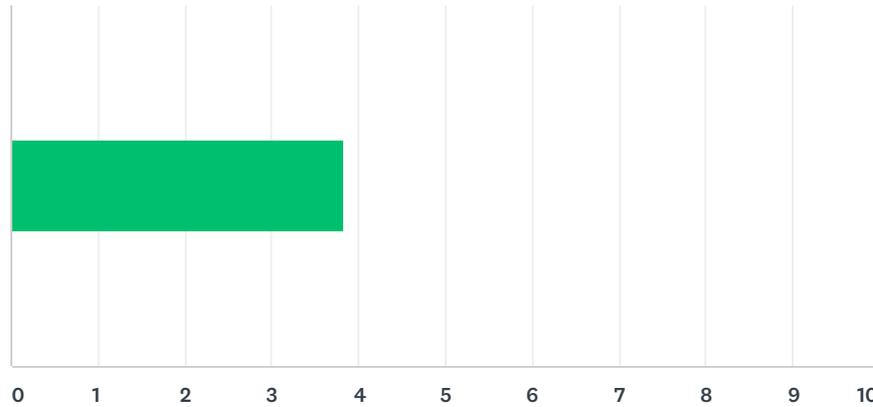
Answered: 154 Skipped: 113



ANSWER CHOICES	RESPONSES	
Yes	35.71%	55
No	37.01%	57
Not sure/ Not applicable	27.27%	42
TOTAL		154

Q4 How would you rate your experience (on average) in getting the PESH approved? Please rate on a scale of 1 to 10 with 1 being extremely difficult and 10 being extremely easy.

Answered: 99 Skipped: 168



ANSWER CHOICES	AVERAGE NUMBER	TOTAL NUMBER	RESPONSES
	4	380	99
Total Respondents: 99			

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3	3	8/20/2019 4:08 PM
4	0	8/19/2019 10:12 PM
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12	7	8/15/2019 4:43 PM
13	3	8/15/2019 4:39 PM
14	5	8/15/2019 12:58 PM
15	1	8/14/2019 4:18 PM
16	1	8/14/2019 2:48 PM
17	7	8/14/2019 11:05 AM
18	2	8/14/2019 10:11 AM
19	2	8/14/2019 9:31 AM
20	3	8/13/2019 3:46 PM
21	5	8/13/2019 1:53 PM
22	10	8/13/2019 12:00 PM
23	5	8/13/2019 11:49 AM

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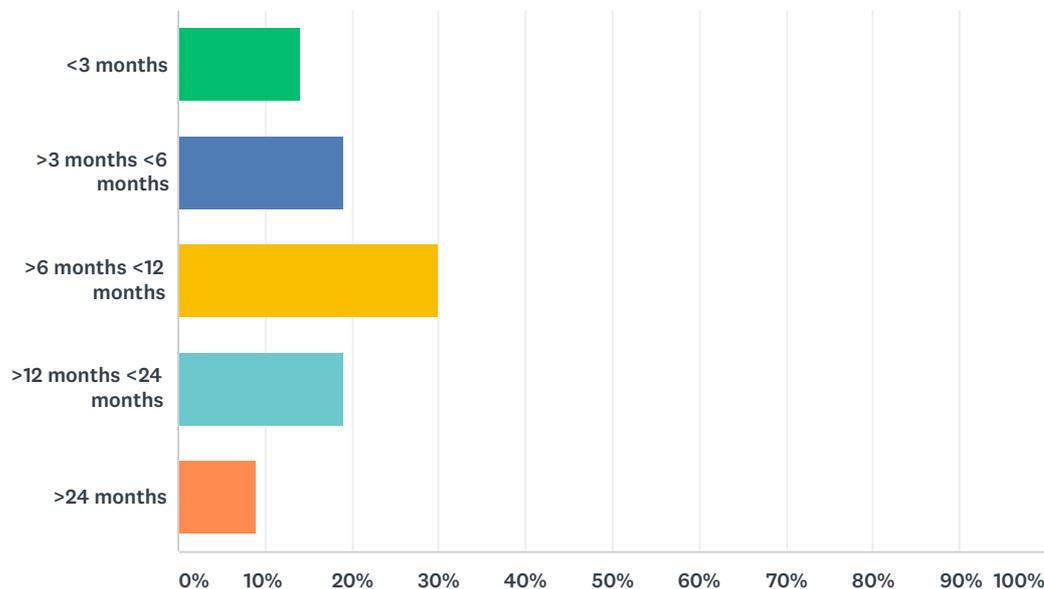
24	5	8/13/2019 11:46 AM
25	3	8/13/2019 10:11 AM
26	6	8/13/2019 9:58 AM
27	5	8/12/2019 4:59 PM
28	5	8/12/2019 3:46 PM
29	5	8/12/2019 1:57 PM
30	1	8/12/2019 1:37 PM
31	3	8/12/2019 1:22 PM
32	8	8/12/2019 12:26 PM
33	0	8/12/2019 11:44 AM
34	7	8/12/2019 10:17 AM
35	6	8/10/2019 2:06 PM
36	2	8/10/2019 1:57 PM
37	9	8/10/2019 10:43 AM
38	2	8/9/2019 6:24 PM
39	1	8/9/2019 5:26 PM
40	6	8/9/2019 5:10 PM
41	7	8/9/2019 4:22 PM
42	5	8/9/2019 3:59 PM
43	3	8/9/2019 2:06 PM
44	2	8/9/2019 1:52 PM
45	1	8/9/2019 1:18 PM
46	5	8/9/2019 1:07 PM
47	8	8/9/2019 12:56 PM
48	4	8/9/2019 12:34 PM
49	1	8/9/2019 12:12 PM
50	1	8/9/2019 11:07 AM
51	0	8/9/2019 10:41 AM
52	1	8/9/2019 10:34 AM
53	1	8/9/2019 10:24 AM
54	3	8/9/2019 10:01 AM
55	6	8/9/2019 9:59 AM
56	6	8/9/2019 9:30 AM
57	1	8/9/2019 9:09 AM
58	3	8/9/2019 7:55 AM
59	1	8/8/2019 11:35 PM
60	4	8/8/2019 11:04 PM
61	5	8/8/2019 10:30 PM
62	5	8/8/2019 9:43 PM
63	1	8/8/2019 7:59 PM
64	2	8/8/2019 7:43 PM
65	3	8/8/2019 6:50 PM
66	6	8/8/2019 6:43 PM
67	5	8/8/2019 6:35 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

68	1	8/8/2019 6:26 PM
69	2	8/8/2019 6:19 PM
70	1	8/8/2019 5:48 PM
71	8	8/8/2019 5:48 PM
72	2	8/8/2019 5:44 PM
73	8	8/8/2019 5:38 PM
74	10	8/8/2019 5:37 PM
75	2	8/8/2019 5:30 PM
76	0	8/8/2019 5:23 PM
77	6	8/8/2019 5:11 PM
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91	5	8/8/2019 4:37 PM
92	2	8/8/2019 4:37 PM
93	7	8/8/2019 4:36 PM
94	8	8/8/2019 4:35 PM
95	2	8/8/2019 4:35 PM
96	4	8/8/2019 4:35 PM
97	1	8/8/2019 4:35 PM
98	8	8/8/2019 4:34 PM
99	0	8/8/2019 4:33 PM

Q5 How long did the approval process take? Please estimate the average length if you deal with numerous applications, and add comments where appropriate.

Answered: 100 Skipped: 167



ANSWER CHOICES	RESPONSES
<3 months	14.00% 14
>3 months <6 months	19.00% 19
>6 months <12 months	30.00% 30
>12 months <24 months	19.00% 19
>24 months	9.00% 9
TOTAL	100

#	COMMENTS	DATE
1	Amending our PESM took nearly 3 years despite there being little substantive change overall.	8/20/2019 4:08 PM
2	HMRC's TAPE team seem particularly non commercial at times - we have an example of one client where it took almost two years to agree a method. My client was willing to accept a very low recovery % (say 5%) to resolve matters but HMRC's view was the method needed to be acceptable - various proposals were rejected but HMRC would not suggest their own. We ended up with a transaction count method with certain transactions being weighted. It bears little resemblance to reality and resulted in HMRC repaying a significant sum to my client as the recovery % tends to be in the 30s - money my client would have been happy to forego!	8/19/2019 10:12 PM
3	Dealing with the request was incredibly slow, it took two months from submission for HMRC to ask for more information and they failed to respond for eight months once this was provided	8/19/2019 11:31 AM
4	There has been no written response to an application made in January 2019. We only know for sure that they have it because that was confirmed when we rang.	8/16/2019 12:57 PM
5	It can be rather hit and miss	8/15/2019 12:58 PM
6	we are a financial institution and we use a special method using headcount - our PESM has not been approved from 2017	8/14/2019 4:18 PM
7	We don't have one and I have no experience of the process.	8/14/2019 12:44 PM
8	Not applied for PESM for some time	8/14/2019 10:11 AM

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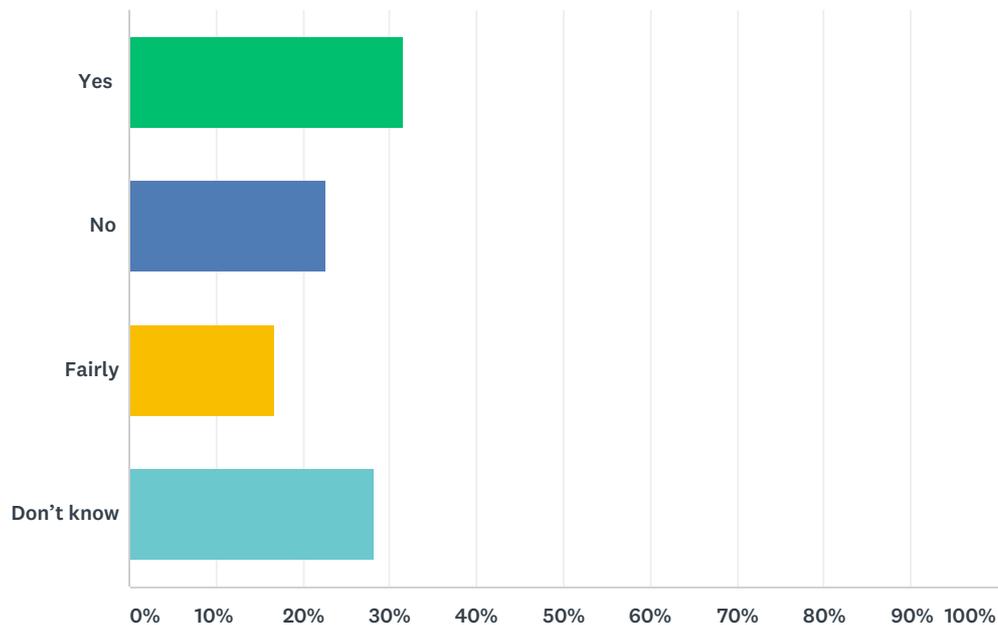
9	I have worked on a number of special methods, even the most straightforward and less contentious took months to agree, the more complex dragged on and on with little resolution on certain aspects	8/14/2019 9:31 AM
10	Not really too sure about this as we would not be involved unless there was a problem.	8/13/2019 11:49 AM
11	We have operated a directed method since 1997 after repeated attempts at agreeing a method with HMCE failed.	8/12/2019 1:57 PM
12	We had to agree ostensibly the same PESM twice. Once we had agreed the PESM we had a new business to incorporate within 3 months of the agreement. However this enables HMRC to look at everything again (which they did) which included areas unaffected by the new business with HMRC taking a different view on aspects of our PESM agreed only 3 months earlier.	8/12/2019 1:37 PM
13	Although its been reasonably straightforward to agree a PESM, it's impractical to update the PESM each time there is a change in the business (new or ceased activities). I'd welcome the freedom to apply the principles without updating the PESM (and which is what mostly happens in practice on the basis that it continues to give a fair and reasonable result).	8/12/2019 1:22 PM
14	No experience	8/11/2019 11:07 AM
15	This is way too long. If HMRC were to respond quicker to our input, this could probably have been finalised within 3 months.	8/10/2019 10:43 AM
16	It was only approved after appealing and using ADR.	8/9/2019 6:24 PM
17	The delay in the most recent PESM approval is simply down to time taken by officers to open the file. There was a previous delay of well over 24 months, culminating in an appeal, due to HMRC disagreeing with the basis of the proposed method (floorspace).	8/9/2019 5:10 PM
18	Never applied for PESM	8/9/2019 2:31 PM
19	We find even modest proposals for sectorised methods take a significant period of time to try and negotiate and they are frequently rejected for reasons which do not appear to make sense.	8/9/2019 1:52 PM
20	Longer periods are not uncommon	8/9/2019 1:18 PM
21	N/A	8/9/2019 12:47 PM
22	Application for PESM in process at the moment for a Charity. Significant number of questions and requests for additional information	8/9/2019 12:34 PM
23	The process is completely flawed at the moment, HMRC are being obstinate in many cases and are asking businesses the impossible in trying to prove a proposed method is more accurate measure of use than the standard method, the proof will always be subjective and if HMRC does not accept it being more accurate then it doesn't matter what we say, there is no way of independently proving the use of a shared cost!	8/9/2019 12:12 PM
24	HMRC's processes for dealing with PESMs are fundamentally flawed. There are not enough people dealing with them, creating single points of failure and excessive time delays, and the officers involved do not adequately understand how the calculation works in practice. This creates unnecessary suspicion and unsubstantiated challenges (such as "you're claiming too much VAT")	8/9/2019 10:24 AM
25	This was a long time ago though!	8/9/2019 9:59 AM
26	After months of providing them with information, the SM got rejected	8/9/2019 9:46 AM
27	N/a no experience	8/8/2019 10:30 PM
28	not applicable	8/8/2019 9:16 PM
29	Sometimes more than 12m	8/8/2019 7:43 PM
30	Some we actually tried to withdraw our requests as hmrc weren't accepting and use standard method override and then hmrc challenged us removing request for a pesm	8/8/2019 6:50 PM
31	If the proposal follows HMRC guidance in that the required evidence is provided, with an example calculation, and the proposed method does not seek to allocate an unreasonable proportion of residual tax to taxable supplies then approval is now normally straightforward. If the proposal has only sketchy detail, and/or is 'adventurous' in nature, then the proposal is likely to be rejected, although processing is still normally quite fast these days	8/8/2019 6:35 PM
32	N/A	8/8/2019 6:29 PM
33	There is a real lack of transparency around who is making the decision on a PESM at HMRC and their objective in either delaying approval of the application or challenging the basis a company has proposed to allocate input tax in a PESM.	8/8/2019 6:19 PM
34	Depends but sometimes can take over 24 months	8/8/2019 5:44 PM

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35	The key is to talk to an HMRC PE team beforehand & agree the format of the proposal and the back-up evidence that will be required	8/8/2019 5:38 PM
36	This is from my prior experience not from my current employment's PESM, I do not know how long that took to agree.	8/8/2019 5:30 PM
37	Only one PESM for the UK businesses but painful to update	8/8/2019 4:57 PM
38	On the one occasion I have tried to negotiate a special method with HMRC on behalf of a client - some years ago - I eventually gave up because the officer concerned would not engage with my reasoning. That is, he refused to accept that my suggestion was fairer than the standard method, but would not explain why. The benefit to the client would have been less than the cost of arguing about it.	8/8/2019 4:50 PM
39	not applied for special method	8/8/2019 4:38 PM
40	We were advised by a big 4 firm that the processes is so time consuming it was better not to go for a PESM unless absolutely necessary	8/8/2019 4:36 PM
41	As a government department we have problems even getting HMRC to agree that we need either a PESM or a Business/non-business calculation	8/8/2019 4:35 PM

Q6 Do you find the administration involved with PESMs challenging?

Answered: 120 Skipped: 147



ANSWER CHOICES	RESPONSES	
Yes	31.67%	38
No	22.50%	27
Fairly	16.67%	20
Don't know	28.33%	34
TOTAL		120

#	PLEASE PROVIDE AN EXAMPLE:	DATE
1	The PESM updating due to a change in an accounting system, however HMRC then required the PESM to be amended to fit into their existing format.	8/20/2019 4:08 PM
2	It can take a very long time to agree a method and also be difficult to open up communications directly with the TAPE team. For smaller businesses/amounts delegating authority to the inspector responsible for the enquiry/day to day affairs would seem more efficient all round.	8/19/2019 10:12 PM
3	Only to the extent you have to chase HMRC for updates	8/19/2019 11:31 AM
4	Difficult to monitor VAT recovery rates to ensure that the method remains appropriate	8/16/2019 4:46 PM
5	A complete lack of understanding on the part of officers of HMRC charged with the task of precisely what they can, and what they cannot, do by law.	8/16/2019 4:02 PM
6	Not sure what is meant by administration	8/15/2019 4:43 PM
7	HMRC will often refuse a PESM without giving any indication as to what they will accept. this is not helpful as you are then forced to submit repeated requests/submissions with new declarations which are then repeatedly refused & you have to start again.....	8/15/2019 4:39 PM
8	Straightforward once adopted	8/15/2019 12:58 PM
9	as we are a financial institution we rely on a core, general and treasury method, our core recover is 0.3% with general being 3.2% and treasury Nil. to come to the correct percentages takes a fair bit of work, we have a model but it is clunky and often fails us. we have been using the model without actually having the ok from HMRC so we may have to redo the last 30months of work when they eventually come to make a decision	8/14/2019 4:18 PM
10	Once agreed operating a PESM should be easy as it has been designed by the business to suit its needs.	8/14/2019 2:48 PM

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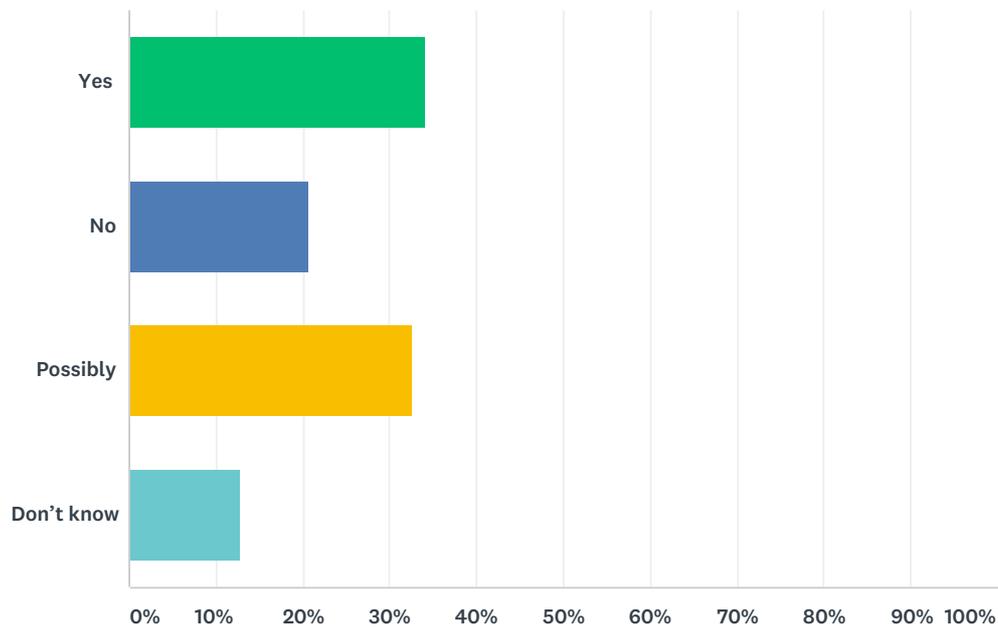
11	Wording had to be very precise, at the expense of not being technically accurate, lots of backwards and forwards with little given away by HMRC on what they would consider reasonable	8/14/2019 9:31 AM
12	We do not handle VAT compliance	8/13/2019 11:49 AM
13	see comment box above. We had to engage in extensive information gathering, attend calls and meetings with HMRC and advisers (incurring significant fees) to agree points that already been agreed with another officer.	8/12/2019 1:37 PM
14	HMRC have unhelpfully not agreed us moving from quarterly adjustment to annual adjustment, and the standard method guidance is not applicable to a PESM. The quarterly adjustment is simply unworkable. So our practice has diverged from the strict regulations on the basis of giving a workable, fair and reasonable result.	8/12/2019 1:22 PM
15	Lengthy and complex calculations. PESM doesn't cope with all unusual and one off transactions.	8/10/2019 2:06 PM
16	This question is not clear. Does it mean the administration of an approved PESM? If so, No. Conversely, does it mean the administration involved in obtaining approval for a PESM? In which case, Yes.	8/10/2019 1:57 PM
17	The guidance on what HMRC expect to support a PESM claim is not detailed enough to know at the start what data to submit with the claim. HMRC seems to make up the rules as it goes along in terms of what evidence it requires.	8/10/2019 10:43 AM
18	Our business is heavily exempt, split into numerous sectors, and no ERP system can cope with it. We are exploring Big4 proprietary software, but currently an onerous Excel model is all we can use.	8/9/2019 5:10 PM
19	No experience	8/9/2019 2:31 PM
20	E.g deciding when a material change to the business activities warrants a new PESM application is problematic. At minimum there appears to be a requirement as standard to notify HMRC of changes, but there is often no definition of what constitutes a material change.	8/9/2019 2:06 PM
21	Not the administration per se, just the approval process	8/9/2019 1:52 PM
22	HMRC are typically intransigent, inflexible and slow to provide substantive responses.	8/9/2019 1:18 PM
23	Weight of evidence for allocation/attribution methods Challenge by hmrc for seemingly non material or no reason	8/9/2019 12:56 PM
24	If approved the PESM will involve significantly less administration than standard method	8/9/2019 12:34 PM
25	On numerous occasions proposals for allocation methods are rejected but as HMRC cannot advise what would be potentially acceptable, we have to go through the motions of submitting four or five different options which all get rejected, balance has to be given to the complexity and recording of the information required to complete partial exemption, especially if the move to MTD is to factor in partial exemption in due course	8/9/2019 12:12 PM
26	time consuming and difficult for clients to understand	8/9/2019 10:34 AM
27	There's more of it, but it's only as complicated as you make it.	8/9/2019 10:24 AM
28	HMRC staff will often not be able to grasp the facts and implications very well.	8/9/2019 9:59 AM
29	Very specific and inconsistent on format, authorisation, declaration etc	8/8/2019 6:50 PM
30	If the guidance is followed, and the proposal is reasonable the admin is not difficult. If requested information isn't provided, or the proposal pushes the envelope then it does become difficult	8/8/2019 6:35 PM
31	Not a massive amount of administration once PESM agreed but the process of getting approval is long and often arduous. The key to limiting the administration is to ensure adequate mechanisms exist within the method to handle different situations - e.g. method to include separate sectors to calculate recovery of capital expenditure over a certain threshold, etc.	8/8/2019 6:26 PM
32	see the comments at Q5 - it has worked in respect of at least 20 applications for PESM made for clients in the last 15 years	8/8/2019 5:38 PM
33	It is overly complex for the business which, bottom line is not complex but there is no appetite to try to simplify due to the issues everyone experiences with agreeing a new PESM in terms of unnecessarily extended timescales, unnecessarily aggressive approach from many HMRC PE officers, the apparent inability of officers to move beyond 'expected' PE percentages arrived at with little knowledge of the business and the resulting massive impact on limited tax team resource which is better spent on managing other elements of the tax	8/8/2019 5:30 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

34	Partly our fault rather than HMRC because we have a sectorised method to try and fairly reflect the different customer bases involved. HMRC have encouraged us to simplify, although no practical suggestions.	8/8/2019 4:57 PM
35	Have never actually operated one.	8/8/2019 4:50 PM
36	The law was changed to enable HMRC to approve them quickly and query them after the event. however, the process still takes a great deal of time and HMRC query every part of the proposal in great detail.	8/8/2019 4:49 PM
37	No set template for disclosure of the PESM.	8/8/2019 4:39 PM
38	Detailed data required where limited VAT is being incurred	8/8/2019 4:37 PM
39	Working in HMRC I worked on PESMs that took years to be agreed by everyone.	8/8/2019 4:35 PM
40	Long delays and constantly shifting views at HMRC	8/8/2019 4:33 PM

Q7 Would allowing businesses to apply PESMs without seeking approval improve the system? Please give reasons for your answer.

Answered: 126 Skipped: 141



ANSWER CHOICES	RESPONSES	
Yes	34.13%	43
No	20.63%	26
Possibly	32.54%	41
Don't know	12.70%	16
TOTAL		126

#	COMMENTS	DATE
1	I think that there should be some common alternatives to the Standard Method (e.g. the cost based method) that can be used without approval, although perhaps a requirement to notify HMRC that an alternative method is being used.	8/27/2019 7:55 PM
2	Provided the client seeks prior advice with their agent to ensure their special method is reasonable and will not be challenged further down the line.	8/23/2019 5:22 PM
3	Perhaps you could write to say you were using a PESM, what percentage of non Attributable VAT you expect will to claim (say 30%) and what value this might have (say £10,000) and agree to write to HMRC if the actual percentage at each annual adjustment was over another amount (say 40% and/or £15,000).	8/21/2019 10:23 AM
4	This would be helpful where the business is particularly complex.	8/20/2019 4:08 PM
5	Businesses do require certainty.	8/19/2019 10:12 PM
6	It would improve the system where the special method being used was relatively simple an non contentious	8/19/2019 4:42 PM
7	It's the length of time that HMRC take to respond that is the issue.	8/19/2019 1:38 PM
8	It would remove the period of uncertainty between the method being submitted and HMRC dealing with it. The delays are so long numerous returns have to be submitted on a provisional basis	8/19/2019 11:31 AM
9	cuts out lengthy delays in approval.	8/19/2019 9:35 AM
10	Business would be left open to challenge under the 4 year rule if approval not obtained	8/16/2019 4:46 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

11	Depends on the level of knowledge of the applicant	8/16/2019 4:02 PM
12	Speed things up. It could work in a similar way to methods of determining the 5% business use test. You don't have to get prior approval but they can look at it.	8/16/2019 12:57 PM
13	May lead to very difficult disputes in the event of an HMRC challenge and create risks around abuse. Would maybe be better to have a set of pre-approved methods e.g. floor areas, staff numbers that can be used for a fast track agreement with HMRC if certain conditions are met.	8/16/2019 11:30 AM
14	More uncertainty	8/15/2019 4:43 PM
15	If the business considers the method to be fair and reasonable then they should be allowed to use it. They will have to demonstrate this to HMRC at some point, so it would make life much simpler to at least be allowed to use the method at the start.	8/15/2019 4:39 PM
16	Advisers can do the background if given appropriate guidelines. They will know the client's business better than HMRC	8/15/2019 12:58 PM
17	we are a low risk with HMRC, they are aware of how we use the PESM and we claim very little in comparison to our spend. if we were trusted to just go ahead with our PESM then it would save the business and HMRC time.	8/14/2019 4:18 PM
18	For straight forward methods it undoubtedly would but for the more contentious methods some clarity/ assurance that HMRC will accept it may be required	8/14/2019 2:48 PM
19	As PESMs must be 'fair and reasonable' arguably no HMRC approval is necessary as a PESM that's not is simply invalid... arguments seem to revolve around whose view of 'fair and reasonable' should prevail but asking the taxpayer to certify they believe it is ought to be sufficient	8/14/2019 12:42 PM
20	However, that just seems to be inviting HMRC attack at a later date! A better approach may be we can use a PESM without approval, but must notify HMRC and they have 90 days to respond with questions/objections.	8/14/2019 11:05 AM
21	So long as condition of documentation for rationale and guidelines clear in types of PESM	8/14/2019 10:11 AM
22	It would simplify the front end, but just move the challenge to later in the process without the client having the current comfort they have once a method has been agreed. If sector methods could be agreed, that may be a reasonable compromise with the normal process running in parallel for those that can't fit into a sector method.	8/14/2019 9:31 AM
23	It would speed up the process, but there could be a risk of clients applying an unreliable method.	8/13/2019 5:44 PM
24	This would follow HMRC's approach to 'process now, check later' that they have with CT and Self-assessment.	8/13/2019 3:46 PM
25	Some PESM which could be used for specific sectors without clearance would be helpful. For example with property floor area will often give a fairer result	8/13/2019 1:53 PM
26	Such a proposal would surely lead to abuse. HMRC approval should be part of the process.	8/13/2019 12:00 PM
27	The same problems would arise but at a later stage. In the interim the client would have to assume its method would be approved and then deal with the consequences of any changes to the method.	8/13/2019 11:49 AM
28	It will quicken the process for businesses.	8/13/2019 11:46 AM
29	Because if HMRC were to visit they would still have the ability to pounce and argue the method was unreasonable	8/13/2019 10:11 AM
30	Not requiring approval would speed up the process for businesses but the downside is the lack of certainty that HMRC will accept the method. For businesses of the size and complexity to require a PESM the certainty and risk issues with HMRC are likely to push towards seeking approval before using the PESM.	8/12/2019 4:59 PM
31	The downside is that a business could operate such a method for several years before finding that HMRC intend to challenge its operation and issue penalties whereas having an approved method does offer some protection against this.	8/12/2019 1:57 PM
32	As noted above. Despite it's formulaic approach, no PESM can cater for all business scenarios.	8/12/2019 1:22 PM
33	Reduce wait time on approvals and would enable businesses to use the best method for them	8/12/2019 11:17 AM
34	Would be quicker but generally clients want reassurance that the method they are using is accepted by HMRC	8/12/2019 10:17 AM

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35	There will be a large temptation to employ a method that is not in fact fair and reasonable. Having an approval of a method from HMRC gives a business confidence their chosen method is acceptable and I assume prevents more administrative difficulties and costs down the road when HMRC start to challenge an unfair methods and it ends up before a tribunal.	8/11/2019 11:07 AM
36	Agreeing a method gives certainty of HMRC approval. Small variations in calculations can give large monetary effect. This presents a risk if HMRC challenge the basis.	8/10/2019 2:06 PM
37	Businesses know their business better than HMRC and can more readily adopt a method to suit them.	8/10/2019 1:57 PM
38	VAT operates on a self assessment basis with policing by HMRC. No system will mitigate 100% of the risk of error or fraud but SA allows businesses to deal with the tax on a timely basis and then refocus on its business activities in a timely manner. SA PESM could require HMRC to improve its guidance so taxpayers can self assess, which would then allow tax payers to ensure that its PESM is reasonable for its growing/changing business and HMRC could apply policing on a risk basis which seems to work well in other areas of tax.	8/10/2019 10:43 AM
39	Undoubtedly speed up the process and give a business some certainty in implementing and operating the method.	8/9/2019 7:00 PM
40	Unless HMRC is willing to take a more open minded approach, and not consider that a PESM which gives the taxpayer a materially better result than current must be less fair and reasonable, and so look for ways to block it, then all that will happen is the number of investigations, reviews, appeals and penalties will increase. HMRC at least needs to consider telling businesses that they will not be open to risk of penalty/interest if they adopt a PESM which HMRC subsequently challenges.	8/9/2019 5:10 PM
41	Good idea in theory but in practice I suspect far too many would just abuse it	8/9/2019 4:22 PM
42	The downside of this proposal is the risk of penalties. If HMRC was to review such a PESM at a later stage and conclude that it doesn't produce a fair and reasonable result, they may not only raise an assessment for VAT but also levy penalties.	8/9/2019 3:59 PM
43	Danger is that HMRC see the use of the PESM post self approval as incorrect, and then raise an assessment and charge penalties on the business's incorrect use of a PESM.	8/9/2019 2:06 PM
44	Approval is not required for Business/Non-Business methods except where a combined Business/Non-Business method is sought. HMRC can retrospectively challenge a Business/Non-Business method if they do not believe it achieves a fair and reasonable result so perhaps the same approach could be adopted where a business can seek approval if it wants certainty, but if it is content to live with the risk of challenge it could be free to adopt a method without approval.	8/9/2019 1:52 PM
45	Yes because of the time taken to get substantive replies. Often huge amounts of time and effort are spent looking at PESMs for relatively small businesses where the tax at stake is fairly small. HMRC also seem to struggle with the concept of "use" and will typically seek as a starting point to reject anything out of the ordinary. They also now seem to struggle with the concept of direct attribution.	8/9/2019 1:18 PM
46	There is a special method override which could be used at VAT year end as a kind of annual adjustment to monitor whether the use of the PESM over that year is fair and reasonable.	8/9/2019 12:56 PM
47	This would add uncertainty to the business with the time taken for HMRC to open enquiries.	8/9/2019 12:47 PM
48	This would lead to greater conflict with HMRC unless there were pre-approved templates for certain types of businesses and charities. Also has to be a fundamental shift in HMRC views on partial exemption and the burden it puts on clients	8/9/2019 12:12 PM
49	Allowing businesses to do what they wanted and thus putting the onus back on HMRC to audit a large number of unapproved PESMs without being involved in their creation is unworkable.	8/9/2019 10:24 AM
50	There should be a limit below which approval is not required. For a large organisation (eg a bank), then yes it would be appropriate to have prior approval. For a small business, the time and effort (on both sides) of agreeing a special method is disproportionate.	8/9/2019 10:01 AM
51	Likely to be open to abuse though. Not sure HMRC would allow a PESM to be used without any scrutiny at all	8/9/2019 9:59 AM
52	There could be some basic criteria to avoid avoidance (eg comparison with standard method recovery) and perhaps a requirement to retain a record of the method in a specific format for future review.	8/9/2019 9:30 AM
53	But feel like it will not give client security/confidence in the method so no peace of mind. Risk of challenge later in the day from HMRC?	8/8/2019 10:30 PM

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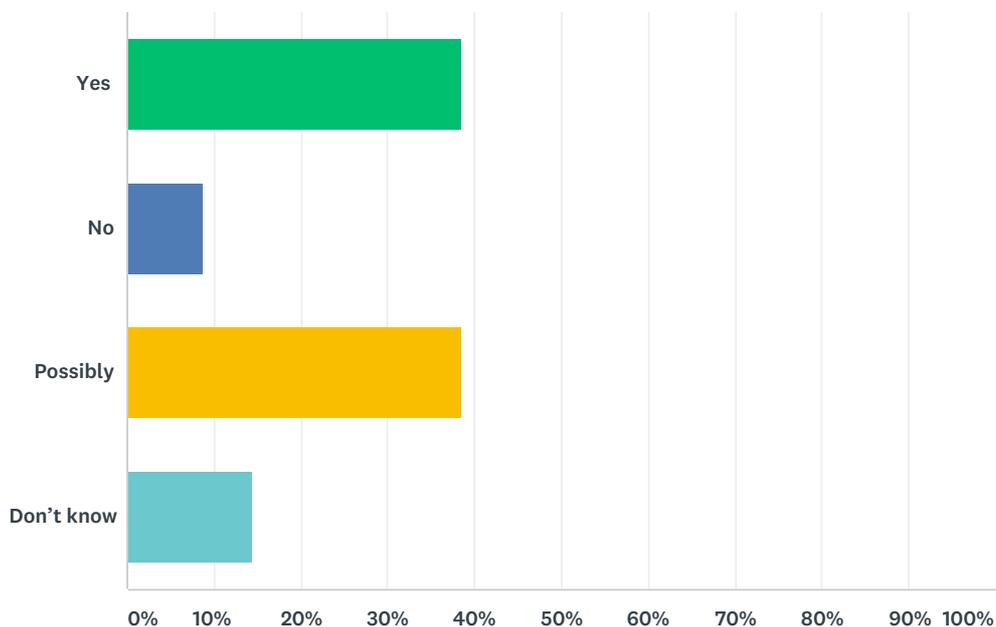
54	This only delays the inevitable VAT until HMRC launch any enquiry. Lack of approval benefits HMRC from a resourcing perspective and not businesses.	8/8/2019 7:59 PM
55	I think there is a case for it but could be open to abuse. Perhaps if SMO applies for a certain time or if no income in year but where SMO doesn't apply.	8/8/2019 6:50 PM
56	This would simply open the door to the more adventurous proposals, usually made by businesses with high level adviser support. These put smaller and more compliant businesses at a commercial disadvantage.	8/8/2019 6:35 PM
57	To my mind, doing this would shift the effort involved in establishing/agreeing a method from the beginning of the process to the point at which HMRC undertake a review/visit and challenge the method. Potentially this would result in retrospective adjustments to "undo" the application of the un-agreed method and re-applying the newly agreed method to those periods. To simplify the process it might be useful to remove any retrospective application of a new method proposed/agreed with HMRC - however, I can't see HMRC putting the tax revenue at risk by adopting such a policy.	8/8/2019 6:26 PM
58	Businesses should be allowed to apply a just and reasonable method providing it is documented and applied consistently	8/8/2019 5:49 PM
59	HMRC need to be able to assess the reasons for requesting a PESM otherwise it could be used for the wrong reasons	8/8/2019 5:48 PM
60	The ability to use PESMs without prior approval would need to be correctly administered to ensure fairness and provide certainty for both taxpayers and HMRC.	8/8/2019 5:44 PM
61	Depends who is making the application, and whether they have the necessary knowledge to produce an acceptable PESM - you need to have an in depth knowledge of VAT and PE	8/8/2019 5:38 PM
62	Businesses would use a method giving maximum recovery regardless of whether it was fair	8/8/2019 5:37 PM
63	However, it would cause uncertainty and the PESM negotiation issues mentioned above would not be dealt with, simply moved to a later point in the process with, for some businesses the potential for (large) assessments as HMRC is likely to come in with the same approach but then being even more entrenched with assessments in sight - whether right or wrong!	8/8/2019 5:30 PM
64	Would depend on whether this then simply meant that it would result in enquiry.	8/8/2019 4:58 PM
65	Danger of decision impacting critically on bottom line	8/8/2019 4:57 PM
66	Might encourage us to use one average rate for the business, probably easier to demonstrate with hindsight that the rate was reasonable.	8/8/2019 4:57 PM
67	Given that it would still be necessary to be able to justify the approach taken if challenged, and nearly everything else in VAT is self-assessed, the requirement for approval adds a layer of complication. However, it is a safeguard that I believe is currently required under EU law, is it not?	8/8/2019 4:50 PM
68	the law already requires businesses to ensure that the PESM produces a fair and reasonable result. HMRC already have the power to override if it does not. there seems very little justification for the detailed enquiries into a proposed PESM when HMRC already have a legal remedy available to them.	8/8/2019 4:49 PM
69	Absence of approval would lead to abuse	8/8/2019 4:47 PM
70	Businesses given the right tools can do a much better job than HMRC who tend to get hung up on non relevant information	8/8/2019 4:46 PM
71	There would be a risk that aggressive companies would obtain a competitive advantage by implementing PESMs which HMRC would not have approved had they been asked. The infrequency of HMRC inspections adds to that risk	8/8/2019 4:45 PM
72	Yes as businesses would be able to devise and document a suitable method and apply it immediately without fear of comeback (assuming it is meets rules around reasonableness etc). "Sign off" for the method could be something to be included as part of the SAO declaration e.g. "...the PESM we have used accurately reflects the input tax usage and is fair & reasonable..."	8/8/2019 4:39 PM
73	It would certainly speed things up and allow businesses more certainty when submitting VAT Returns before a PESM is agreed. The legislation will, however, need to protect the revenue & stop unfair PESMs being set up which could lead to more legislation rather than less.	8/8/2019 4:37 PM
74	This may simply delay the point at which discussions begin.	8/8/2019 4:37 PM
75	It would not work if HMRC then challenged the calculations and applying penalties and interest	8/8/2019 4:36 PM
76	Needs certainty.	8/8/2019 4:35 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

77	Albeit nice to have HMRC approval of a method to not get stung further down the line if they consider unfair	8/8/2019 4:35 PM
78	Allowing businesses to use a PESM while it is being agreed would encourage businesses to work with the process and may make HMRC answer them more quickly.	8/8/2019 4:35 PM
79	Some businesses could get an unfair advantage by using a PESM that isn't "Fair and Reasonable", which HMRC would be unaware of until a visit.	8/8/2019 4:34 PM
80	Just massively increases the risk of a perceived "error"	8/8/2019 4:33 PM

Q8 Would there be issues created by removing the requirement to seek approval of a PESM?

Answered: 125 Skipped: 142



ANSWER CHOICES	RESPONSES	
Yes	38.40%	48
No	8.80%	11
Possibly	38.40%	48
Don't know	14.40%	18
TOTAL		125

#	COMMENTS	DATE
1	I think HMRC still need to approve particularly complex PESMs - to ensure that the method gives a fair attribution of input tax.	8/27/2019 7:55 PM
2	Key issue would be uncertainty.	8/25/2019 11:44 AM
3	As above, if the method is later challenged by HMRC	8/23/2019 5:22 PM
4	Although it would be easier to start with I suspect it would lead to more investigations further down the line	8/21/2019 10:23 AM
5	If the new PESM was challenged, there would be a tax risk created for the taxpayer which may require some form of accounting disclosure	8/20/2019 4:08 PM
6	Yes, certainty.	8/19/2019 10:12 PM
7	increase in the likelihood of future challenge	8/19/2019 4:42 PM
8	It may allow unfair methods to be used	8/19/2019 11:31 AM
9	See comment above	8/16/2019 4:46 PM
10	Issues re 'fair and reasonable'. Limitations of what can be done in law.	8/16/2019 4:02 PM
11	In determining whether and how far back HMRC could assess regarding a SPEM they didn't like. Perhaps a way around it would be to have a number of standard variants.	8/16/2019 12:57 PM
12	More uncertainty	8/15/2019 4:43 PM

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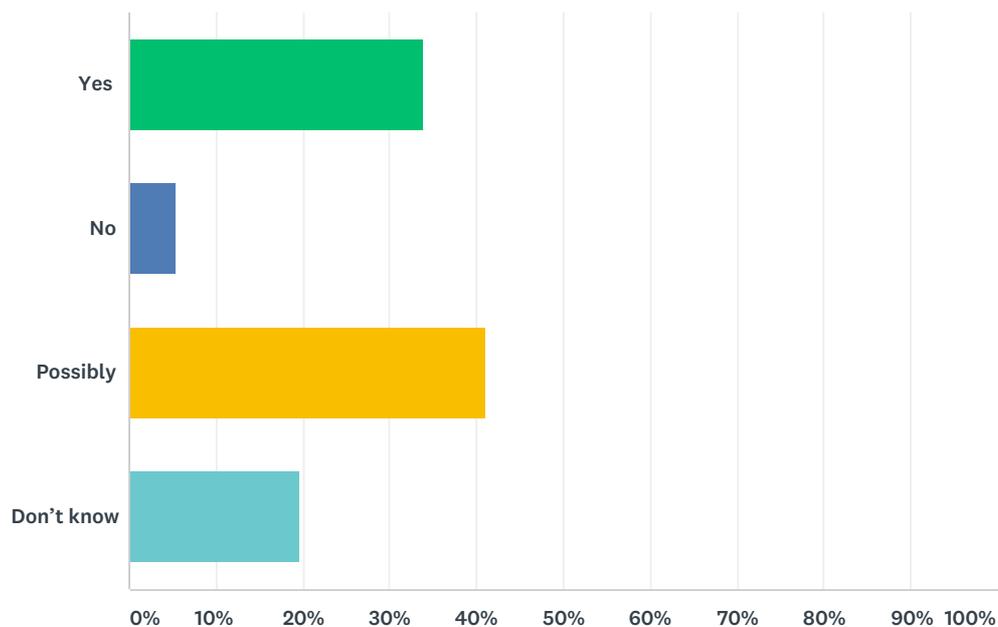
13	the disadvantage is that the business needs reassurance that it is not going to be penalised or have the method retrospectively revoked if HMRC do not agree with it.	8/15/2019 4:39 PM
14	The requirement check is there to prevent abusive methods being put in	8/15/2019 12:58 PM
15	as we are a low risk with HMRC they obviously trust our judgement	8/14/2019 4:18 PM
16	As above if retrospective changes to methods can occur then there is a risk to the business so approval may still be wanted (even if not required).	8/14/2019 2:48 PM
17	It does leave open the possibility of HMRC retrospectively challenging the taxpayer's view of what is 'fair and reasonable' unless some sort of 'backstop' is included to prevent/limit that...	8/14/2019 12:42 PM
18	As above	8/14/2019 11:05 AM
19	The method would be open to later challenge with back dating on assessments	8/14/2019 9:31 AM
20	If clients applied an unreliable method.	8/13/2019 5:44 PM
21	If a business failed to seek professional advice then issues could arise in a PESM failing due to lack of experience or knowledge in this area.	8/13/2019 3:46 PM
22	Not if there were example/guidance on ones which could be used without clearance	8/13/2019 1:53 PM
23	Please see comments above.	8/13/2019 12:00 PM
24	see previous comment	8/13/2019 11:49 AM
25	Some may take advantage of the simplification but this may be remedied by requiring businesses to submit an online update every two to three years for monitoring purposes.	8/13/2019 11:46 AM
26	per above	8/13/2019 10:11 AM
27	As above	8/12/2019 4:59 PM
28	Yes, the lack of certainty when it comes to being penalised.	8/12/2019 1:57 PM
29	There could be a risk of challenge from HMRC later.	8/12/2019 1:37 PM
30	See above. Many clients want reassurance that the method they are using is acceptable and will not be challenged at a later date	8/12/2019 10:17 AM
31	See above	8/11/2019 11:07 AM
32	See risk comments above.	8/10/2019 2:06 PM
33	The rules on partial exemption are, probably necessarily, complicated. A knowledgeable (or well advised) business should be able to adopt a method that both suits it and meets the regulatory requirements. A less knowledgeable business might struggle to do so. There is, of course, a precedent to a business choosing a method without approval in the standard method override. The problem there (and with an unapproved method) is that there is a lack of certainty - i.e. the method could be challenged by HMRC at any time. Unfortunately, with the lack of experience and/or knowledge of most HMRC VAT staff, such challenges may well be unjustified.	8/10/2019 1:57 PM
34	Obviously - any change in rules seems to cause HMRC problems! But SA PESM is only aligning PESM with other areas of tax. Any problems should be short term during the transition period.	8/10/2019 10:43 AM
35	Danger that a business' view of what is fair and reasonable differs to that of HMRC, storing up problems for some future date when HMRC make an enquiry. The four year cap may need to be extended to cover errors beyond four years, particularly when it can be 10 years for HMRC to make an enquiry!	8/9/2019 7:00 PM
36	There would be no third party scrutiny of the scheme and the temptation to yield to pressure from clients would be greater.	8/9/2019 6:24 PM
37	See Q 7 response	8/9/2019 5:10 PM
38	PE is a complex, specialist and oft mis-understood area.	8/9/2019 4:22 PM
39	Whilst it would be less time consuming for businesses, it creates a risk of penalties. Businesses would probably still have to spend a lot of money on advisors so that in the event of a challenge by HMRC, they can demonstrate to have taken reasonable care when concluding the method was producing a fair and reasonable result.	8/9/2019 3:59 PM
40	Uncertainty, and increased likelihood of HMRC challenging amount of input tax recovery	8/9/2019 2:06 PM
41	See above, the risk of retrospective challenge	8/9/2019 1:52 PM
42	Obvious issues if HMRC subsequently disagree that the method adopted is fair and reasonable.	8/9/2019 1:18 PM
43	Completely unreasonable methods used without checks..... but see above for special method override which would be obligatory on an annual basis.	8/9/2019 12:56 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

44	This would lead to greater conflict with HMRC unless there were pre-approved templates for certain types of businesses and charities. Also has to be a fundamental shift in HMRC views on partial exemption and the burden it puts on clients	8/9/2019 12:12 PM
45	Yes, see above.	8/9/2019 10:24 AM
46	Could be challenged later by HMRC	8/9/2019 9:59 AM
47	It would depend on the conditions for not getting approval - it could be an issue for businesses who have had difficulty in getting perfectly sensible methods approved.	8/9/2019 9:30 AM
48	Clients would have to ensure it is fair and reasonable and may face penalties if at an inspection the officer concluded otherwise.	8/8/2019 7:43 PM
49	Open to abuse and hmrc wouldn't manage to police it effectively	8/8/2019 6:50 PM
50	As above, an open door to methods which disproportionately allocate tax to taxable supplies. Likely to result in sizeable and expensive challenges if and when HMRC got round to reviewing them. Good for those able to put them together, but would produce commercial distortions and would almost oblige other businesses to submit similarly generous proposals.	8/8/2019 6:35 PM
51	Likely issues per the answer above. It gives scope for businesses to intentionally or unintentionally get things wrong, push the boundaries on recovery methods, etc. This may be countered by 1. placing greater emphasis on the "fair and reasonable" declaration that accompanies the PESM; and 2. provision of more guidance on what is considered an acceptable method so that there is a framework of sorts that businesses can use to develop a fair and reasonable method in the absence of HMRC approval.	8/8/2019 6:26 PM
52	The only issue would be uncertainty surrounding HMRC later challenging the basis for input tax recovery.	8/8/2019 6:19 PM
53	Potential for HMRC to disagree with methodology all the ramifications that has.	8/8/2019 5:49 PM
54	HMRC need to be able to assess the reasons for requesting a PESM otherwise it could be used for the wrong reasons	8/8/2019 5:48 PM
55	Lack of certainty for taxpayers regarding operation of the PESM.	8/8/2019 5:44 PM
56	If the PESM is unsatisfactory, and HMRC on a compliance visit re-calculates the PE using the standard method - there could easily be a VERY large assessment, particularly if the applicant is a property company. That's why I make a living, because accountants are not confident with PE!	8/8/2019 5:38 PM
57	See responses at 6 and 7 above	8/8/2019 5:30 PM
58	Could be risk of loss of revenue to HMRC if there was not an increase in scrutiny and oversight.	8/8/2019 4:57 PM
59	The usual issues around taxpayers taking advantage of the system, or taking a genuine but misguided approach that builds up a large liability by the time HMRC notice and object.	8/8/2019 4:50 PM
60	will put more onus on the business to ensure they use a method that is fair and reasonable. will also put more pressure on visiting VAT officers. however those are likely to be relatively short term until business and HMRC get used to the change.	8/8/2019 4:49 PM
61	See above - absence of approval would lead to abuse	8/8/2019 4:47 PM
62	This needs to be tried out first rather than roll it out and then hope for the best	8/8/2019 4:46 PM
63	There must be a process for special arrangements to ensure fairness and consistency plus transparency with HMRC	8/8/2019 4:38 PM
64	If HMRC do not agree with the PESM an override would be applied and then discussions would start, better to discuss then implement for certainty	8/8/2019 4:37 PM
65	Mainly, at least with prior approval there is certainty. Without approval could cause issues/problems during a future VAT inspection.	8/8/2019 4:36 PM
66	see above	8/8/2019 4:36 PM
67	Retrospective HMRC action if it decides a PESM is unfair/unreasonable.	8/8/2019 4:35 PM
68	HMRC could challenge saying unfair, resulting in penalties	8/8/2019 4:35 PM
69	I once had a local authority that made major changes to their PESM following discussion with the HMRC Policy section, except the policy section thought they were only floating ideas. Sorting out the mess in terms of agreements, permissions and calculations took a long time and caused a lot of bad feeling on all sides.	8/8/2019 4:35 PM
70	HMRC could retrospectively decide your PESM wasn't appropriate, introducing significant uncertainty	8/8/2019 4:33 PM

Q9 Would an increased focus on the use of sectoral frameworks be of benefit, particularly if approvals were removed? (the words ‘sectoral frameworks’, set out in para 2.14 of the call for evidence document, refer to additional guidance with the basis for specific sectors to establish a method, potentially with the involvement of the sector’s representative bodies, to provide consistency).

Answered: 127 Skipped: 140



ANSWER CHOICES	RESPONSES
Yes	33.86% 43
No	5.51% 7
Possibly	40.94% 52
Don't know	19.69% 25
TOTAL	127

#	COMMENTS	DATE
1	I expect some sector-specific standard methods could be developed that could be used without approval, bu perhaps with notification. I definitely think that more "off-the-shelf" PE methods should be available.	8/27/2019 7:55 PM
2	Certain industries have inherently complex business/organisational structures, which can easily differ from other businesses in the same industries so too much rigidity in the application of a framework may reduce the ease of understanding of the PESM	8/20/2019 4:08 PM
3	It would help but I think also a degree of pragmatism where the amounts are relatively small would help free up resource.	8/19/2019 10:12 PM
4	This would lead to sweeping generalisations being made by HMRC.	8/16/2019 4:02 PM
5	Businesses within a sector all have specific differences - one size may not fit all	8/15/2019 4:43 PM
6	Representative bodies can suggest/agree principles but all businesses are unique so a sectoral framework will not work for all.	8/15/2019 4:39 PM
7	Good idea	8/15/2019 12:58 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

8	As long as a method meets the framework it should be accepted but we have seen HMRC question whether it is in accordance with the framework even when it is.	8/14/2019 2:48 PM
9	Local authorities for example already use a sector-based 'cousin' of partial exemption referred to as the 'Section 33 Special Method Calculation' which seems to allow for much more 'mutual trust' and flexibility...	8/14/2019 12:42 PM
10	Where these were appropriate and the client could demonstrate the method had been appropriately applied then they should benefit from it being an agreed method and any challenge by HMRC should be prospective only	8/14/2019 9:31 AM
11	See above re property sector	8/13/2019 1:53 PM
12	As long as HMRC had to abide by a PESM that fitted within the frameworks this could work	8/13/2019 10:11 AM
13	Very business dependent - may be effective for some businesses. Our PESM is a combination of several methods to arrive at a reasonable allocation and sectoral alone would not give a reasonable allocation	8/12/2019 4:59 PM
14	The 2014 'Framework for Housing Association PESMs' gives few usable principles or acceptable methods outside what's already available in many text books. It needs to give practical applications and a suite of recognised treatments to be useful.	8/12/2019 1:22 PM
15	There are specific sectors which would encounter common issues that mean the standard method is not fair and reasonable eg, smaller construction industry will experience high taxable supplies some years and then none the following year. Having an option of a ready made industry sector method will be of benefit to these but might not benefit larger businesses where any method would need to be bespoke. It is possible that a larger business could employ a sectoral method not appropriate to them as this provides the highest level of recovery available to them. I'm not sure the special method override is then a reliable tool to stop this abuse. Any sectoral method may need to have a turnover threshold and businesses above this threshold should seek approval from HMRC to use that sectoral method.	8/11/2019 11:07 AM
16	This would mean sectoral methods could be treated the same as standard methods. HMRC has confidence in the appropriateness of the methods and taxpayers can avoid the PESM application nightmare but still leaving taxpayers to choose to apply for a unique PESM if they wish. It seems like a win-win.	8/10/2019 10:43 AM
17	As long as the figures can be easily determined then makes sense.	8/9/2019 7:00 PM
18	If HMRC is prepared to say for sector X, then as long as criteria X, Y ,Z are met then you can use methods P, Q, R and we will stand by this without risk of challenge, then that will provide the needed certainty AND speed of agreement.	8/9/2019 5:10 PM
19	But not all sectors are covered and there are likely to be some bespoke parts to a PESM	8/9/2019 2:06 PM
20	The trouble is one size doesn't fit all, but it could help.	8/9/2019 1:52 PM
21	This could work for some business sectors. However, in the SME space, particularly in the FS sector where businesses are people/technology focused, sectorisation is of little assistance.	8/9/2019 1:18 PM
22	This would be very helpful	8/9/2019 12:12 PM
23	This could work as (perceived) "fairness" is one of the biggest issues. However, VAT is a transaction tax and businesses are unique. Therefore there'll be winners and losers wherever you draw the line. Creating sectors in this way just sounds like it will create new borderlines and hence opportunities for avoidance.	8/9/2019 10:24 AM
24	Too difficult to understand what HMRC are getting at - why can't they use simple English?	8/9/2019 10:01 AM
25	It would provide some consistency and certainty	8/9/2019 9:59 AM
26	But in my sector, medical, often it is floor space which is specific to each circumstance so not confident that sectoral frameworks would apply	8/8/2019 10:30 PM
27	If one could be appropriated targeted for all types of business in a sector	8/8/2019 7:59 PM
28	Frameworks do provide many of the controls that the approval process seeks to provide, so they can be very helpful. However, they are costly to set up, and while effective when sectors are clearly defined as e.g. with education, it may be difficult to find enough genuine generic groupings on which realistic frameworks could be based. Forced or artificial sector frameworks are likely to cause even more contention, cost and delay.	8/8/2019 6:35 PM
29	This works well within the HE sector where there is active involvement from representative bodies and advisers at a sector level. However, there is a danger that these frameworks try to apply a "one-size-fits-all" approach. My experience in the sector is that the framework is useful as a starting point but does not adequately capture all of the relevant activities and so additional PE sectors or amendments to the framework method are required.	8/8/2019 6:26 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

30	In some industries, yes, but may be problematic in other sectors.	8/8/2019 5:44 PM
31	Makes sense	8/8/2019 5:38 PM
32	However, within a sector the variety of business set up, business mix etc make it extremely difficult to establish a meaningful 'sector' wide approach.	8/8/2019 5:30 PM
33	Could help to assist business to establish simple frameworks.	8/8/2019 4:57 PM
34	The standard method is a very blunt instrument, taking the whole of a business together. Allowing traders to consider what is reasonable in the context of their own operation ought to be produce a fairer result.	8/8/2019 4:50 PM
35	unlikely to be helpful to business. might suit HMRC but case law shows that few businesses fit neatly into sectors.	8/8/2019 4:49 PM
36	Guide lines for sectoral framework would give taxpayers a better steer on what HMRC would accept	8/8/2019 4:36 PM
37	Perhaps not remove the approval but change the working assumption from no to yes.	8/8/2019 4:35 PM

Q10 Do you have other suggestions to improve or simplify the application of the PE regime?

Answered: 57 Skipped: 210

#	RESPONSES	DATE
1	The de minimis limits need to be updated to reflect inflation since they were last increased. Too many businesses are having to spend time on partial exemption calculations for relatively small amounts	8/27/2019 7:55 PM
2	see comment on Q7	8/21/2019 10:23 AM
3	If HMRC were able to deal with requests within a few months that would be a vast improvement	8/19/2019 11:31 AM
4	Improve training for the Officers , as they do not know the Law.	8/19/2019 9:35 AM
5	None	8/16/2019 4:46 PM
6	Following of CJEU in Baumarkt - The standard method should be used by all taxpayers unless the result would be inaccurate.	8/16/2019 4:02 PM
7	No	8/15/2019 4:43 PM
8	Increase de-minimis limits. Have a PESM which is used by the business whilst the method is approved but HMRC have only 6 months to approve it (once they have been provided with all information) or it is automatically accepted. HMRC should be forced to suggest amendments to methods which would enable a more robust dialogue between the parties. The standard method should perhaps be widened to an income based method, a floor based method and a staff based method. A business cannot change between them but at least they have the choice. HMRC has an Override anyway which will catch those that HMRC deem to be 'over' claiming.	8/15/2019 4:39 PM
9	Automatic rounding on special methods also	8/15/2019 12:58 PM
10	Increase the de minimis limits or allow business which have one off exempt transactions to ignore them?	8/14/2019 2:48 PM
11	I think the existing regime works pretty well and see no need to change it, however, I have no experience of trying to register a new scheme.	8/14/2019 12:44 PM
12	Possibly replacing an absolute de-minimis with a percentage of VAT incurred limit, as applies to local authorities under the 'Section 33 Special Method Calculation'...	8/14/2019 12:42 PM
13	More qualified staff dealing with them, with a named contact and the authority to negotiate terms rather than having to keep going back to technical/risk team for approval	8/14/2019 9:31 AM
14	No.	8/13/2019 12:00 PM
15	More HMRC resource and specific training of the people involved to train them not to make a meal of the issue and that the fair and reasonable test is not one sided!	8/13/2019 10:11 AM
16	no	8/13/2019 9:58 AM
17	Appropriate resourcing within HMRC is key in this area.	8/12/2019 4:59 PM
18	No	8/12/2019 1:57 PM
19	Improve the options for updating a PESM ; rather than treating it as fresh application no matter what the circumstances.	8/12/2019 1:37 PM
20	Adjustments to prior periods are cumbersome as that can impact on the long period adjustment and trigger a ripple of further adjustments. It would be simpler to set a deminimus for disturbing the long period adjustment.	8/12/2019 1:22 PM
21	The most challenging aspect of the regime is identifying those costs that are directly attributable to taxable or exempt supplies. If in doubt a business is far more likely to treat costs, in situations where costs could be taxable or residual as taxable and in situations where costs could be exempt or residual as residual. For a large business with multiple revenue streams it's not difficult to establish a link to a taxable supply, however tenuous and then find a similarly tenuous justification. Once costs are allocated within the accounting system to taxable/residual/exempt actually running the partial exemption method (and then posting a journal for MTD) takes 10 minutes so doesn't create an admin burden. Any simplification should be around the guidance of how to allocate costs. If we leave the European Union there is an opportunity to really clarify this area of VAT law.	8/11/2019 11:07 AM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

22	More flexibility surrounding one off items. Better understanding of impacts within HMRC	8/10/2019 2:06 PM
23	Increase the de minimis limits. Get rid of the "simplified" rules introduced a few years ago.	8/9/2019 7:00 PM
24	HMRC need to be more open minded in approach, and not consider that certain proxy methods (e.g. floorspace) are unusable.	8/9/2019 5:10 PM
25	Could there be a way of reducing the number in the PE regime? Eg Last VAT year PE% under 10% or over 90% and input tax under £200k, no recovery / full recovery	8/9/2019 4:22 PM
26	HMRC could provide taxpayers with pro-formas in excel files for the PESM calculations	8/9/2019 2:06 PM
27	Yes, change the definition of tax year in Reg 99. At present it is the year ending with the Spring return quarter and whilst it is possible to request a non standard tax year many businesses do not realise that the tax year is not coterminous with their Financial Year and end up having to do annual adjustments part way through their FY. It would be straightforward to amend the legislation such that the first tax year of a person commenced on their EDR and ended at their next FY and this would be revenue neutral.	8/9/2019 1:52 PM
28	1. Clearer guidance on direct attribution 2. Perhaps a choice of automatically acceptable methods for businesses below a certain size/within certain sectors (similar to the regime for opticians?)	8/9/2019 1:18 PM
29	Fast tracking for non contentious ?	8/9/2019 12:56 PM
30	Difficult to comment until our current application is approved, if it is. Suggest that process for charities should be simplified as they generally do not have the funds to pay for professional support and asking willing volunteers to work with PE is difficult	8/9/2019 12:34 PM
31	There has to be a shift from HMRC to understand the pressure this puts on VAT compliance for business and that where the standard method creates distortion, alternative methods are reasonable to use and not just a way of increasing VAT recovery without justification	8/9/2019 12:12 PM
32	I think the above suggestion could work if you made the sectors broad enough and somehow categorised to non-VAT based objective criteria; for example, regulatory status. If you had a agreed/flat rate per regulated category, there should be less argument over the recovery rate a particular transaction qualified for.	8/9/2019 10:24 AM
33	Make it simpler. Adding the simplified methods last time they had a change just introduced complications...	8/9/2019 10:01 AM
34	It is about time that the de minimis limit was increased	8/9/2019 9:59 AM
35	A simplified and maybe increased de minimis test	8/9/2019 9:30 AM
36	PE should be like ITSA and CTSA - let the business self-assess to an answer and HMRC can review if they believe it is incorrect. VAT is getting better but I think there is still coming from a C&E background rather than HMRC	8/9/2019 9:17 AM
37	No	8/8/2019 9:16 PM
38	Mandate taxpayers to either use the sector percentages for PE recovery or build the PE system into the ERP system (with only certain ERP approved providers authorised to build these systems e.g. oracle, SAP etc)	8/8/2019 7:59 PM
39	The most useful line of development would be to try and reach some kind of consensus between businesses, accountancy bodies and HMRC on what the term 'used', in terms of tax bearing costs, actually means. The real contention comes when proposed PESM's claim that a high proportion of tax bearing costs are incurred to be used in making deductible supplies, often at odds with accounting information, and often using complex and quite artificial calculations. If there were to be some agreement on what 'used for' actually means, it would remove the greatest source of disagreement. It would also remove a big source of income for many advisers!	8/8/2019 6:35 PM
40	HMRC should accept what a company best thinks is the correct apportionment of input tax to the sectors of its business.	8/8/2019 6:19 PM
41	Any suggestions will only make sense once the UK have left the EU and will not be governed by EU law and subject to the ECJ	8/8/2019 5:38 PM
42	No	8/8/2019 5:37 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

43	We are a £2billion business with £200million input VAT which the 3 'pot' PESH blocks £6,500 !!! Hardly worth anyone's time. Our CGS calculations for 4 years resulted in a repayment to HMRC of £162.12 again not worth anyone's time!! Large numbers don't necessarily mean large adjustments so a way to remove the requirement from such businesses would be massively beneficial all round however the general mistrust HMRC officers have of businesses with PE needs to be addressed. An easement for adjustments under certain percentages / values would not be beneficial as the calculations would still need to be done to arrive at those values to then ignore.	8/8/2019 5:30 PM
44	Assessing the amount of partially exempt income as a % of total income should be a consideration as the de-minimis limit is too low for large businesses that have a very small proportion of exempt income but it exceeds the annual threshold.	8/8/2019 5:05 PM
45	Prescription of simple frameworks for types of business, one detailed calculation end of each year, key metrics monitored by HMRC through submission of annual return of PESH statistics. Abolish requirement to do specific attribution of input VAT and residual rates for input VAT on overheads during the year and use one average rate across all UK sectors for all costs and then do an annual detailed true up with penalty interest for large underpayments. Annual return sets the recovery rate for the following year.	8/8/2019 4:57 PM
46	Annual adjustments only rather than quarterly for businesses who have large fluctuations in recovery due to timing of receipts	8/8/2019 4:53 PM
47	Raise the de minimis level in line with inflation from when it was last increased (1990s?).	8/8/2019 4:50 PM
48	Remove the 50% test and have a straightforward periodic/annual de minimis test	8/8/2019 4:47 PM
49	no	8/8/2019 4:46 PM
50	seems to work ok to me	8/8/2019 4:38 PM
51	Increase the de-minimis threshold	8/8/2019 4:37 PM
52	A higher de-minimis threshold and ability for taxable business to ignore incidental exempt income.	8/8/2019 4:37 PM
53	Increase the PE de minimis limits. The current de minimis limits captures many small businesses where PE VAT risk is low.	8/8/2019 4:36 PM
54	A better response time would aid certainty for a business. A more open approach would be welcome.	8/8/2019 4:35 PM
55	Interaction with CGS can become complex. It would also be beneficial if accounting software providers could deal with the calculations (with pre populated info) to assist with accounting entries and MTD	8/8/2019 4:35 PM
56	Improve training of HMRC officers and particularly their managers (many of whom now come from direct tax and don't get it). PE Specialist Officers are often excellent, there just aren't enough of them.	8/8/2019 4:35 PM
57	Make all exempt goods / services zero rated or a new low % category to balance the books and allow full recovery	8/8/2019 4:33 PM

Q11 Do you have other suggestions on how the way in which HMRC interacts with partly exempt businesses could be improved?

Answered: 59 Skipped: 208

#	RESPONSES	DATE
1	Better training of HMRC staff, or access to expertise in partial exemption would be helpful - some taxpayers get very confused by partial exemption and poor knowledge among HMRC staff leads to poor advice	8/27/2019 7:55 PM
2	Current discussions are often not directly with the TAPE team leaving the inspector as 'piggy in the middle' which is neither efficient nor fair to the inspector!	8/19/2019 10:12 PM
3	Sped up the response time.	8/19/2019 1:38 PM
4	TRAIN THE OFFICERS	8/19/2019 9:35 AM
5	No	8/16/2019 4:46 PM
6	Better training of officers. More interaction with bodies such as CIOT. Better correlation of the law with HMRC's 'policy'	8/16/2019 4:02 PM
7	Visiting officers need a greater understanding of the rules. The two most recent examples I have seen of challenges have not shown HMRC in a good light.	8/16/2019 12:57 PM
8	PE is a very complicated area and often when dealing with HMRC VAT specialists not sure that they are totally clear on the rules themselves - potentially needs a core team in HMRC that deals with these issues with businesses.	8/16/2019 11:30 AM
9	No	8/15/2019 4:43 PM
10	There should be a dedicated PE team to whom all requests for a PESM - or questions relating to PE can be referred. At present all requests go in to the big black hole at VAT Enquiries and you never hear back or have any method of obtaining a contact.	8/15/2019 4:39 PM
11	we have our own business manager who is very efficient	8/14/2019 4:18 PM
12	No	8/14/2019 2:48 PM
13	I wasn't aware it did interact !	8/14/2019 12:44 PM
14	Internal education that partially exempt businesses generally aren't out to defraud the revenue, they do want a sensible method to recover VAT	8/14/2019 9:31 AM
15	They could be a lot quicker in their decision making processes.	8/13/2019 3:46 PM
16	No.	8/13/2019 12:00 PM
17	They need to recognise this is a complex area for many businesses and that innocent errors can occur; not everything is done with malice aforethought	8/13/2019 10:11 AM
18	No	8/13/2019 9:58 AM
19	By employing suitably trained officers to engage with businesses, I have come across far too many officers with only a rudimentary knowledge of PE trying to interact with us on the workings of our method - worse than that are officers who lack any real understanding of the law.	8/12/2019 1:57 PM
20	HMRC need to adopt a more commercial approach as they appear to have an unrealistic view of how a business actually operates .	8/12/2019 1:37 PM
21	MTD will create a raft of new issues and it's too early to judge these.	8/12/2019 1:22 PM
22	Understanding of work required to generate information and ways to find simplified but acceptable methodology.	8/10/2019 2:06 PM
23	Unfortunately it is often a lack of knowledge on the part of HMRC staff that causes the majority of problems.	8/10/2019 1:57 PM
24	Time limits should be introduced for PESM applications while the current system is in operation. Too many businesses are inappropriately using the standard method being put off by the time drain caused by HMRC's assessment of the application.	8/10/2019 10:43 AM
25	Make use of MTD	8/9/2019 7:00 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

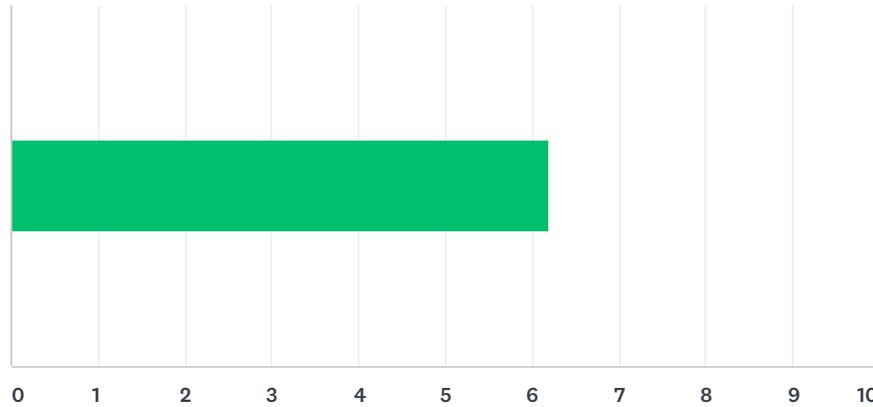
26	The example above which 12 to 18 months for HMRC to approve was settled after a two face to face meeting with HMRC. When corresponding with HMRC the business owner overriding observation was that HMRC do not understand my business and a short meeting would resolve this. ADR was a means of getting a face to face meeting.	8/9/2019 6:24 PM
27	At least agreement of PESMs gives cetrianty. HMRC should also look to introduce a formal process to agree business/non-business methods to dot he same, and reduce the number of disputes over this. The considerations in BNB methods are very similar.	8/9/2019 5:10 PM
28	Partial exemption is not synonymous with tax avoidance. It is a natural and unavoidable part of the VAT system for businesses that happen to have VAT exempt business activities. HMRC should separate the partial exemption team from tax avoidance i.e TAPE teams (Tax Avoidance and Partial Exemption teams) should not administer the approval process for a PESH in the first instance. A self approval or simplified centralised approval team, or pre-approved framework should be used. PESH should be reviewed only as part of the normal HMRC compliance regime during routine HMRC interventions. Only in cases of actual avoidance should Tax Avoidance and Partial Exemption specialists be involved. This would simplify and reduce delays experience in the current administration of PESMs.	8/9/2019 2:06 PM
29	No	8/9/2019 1:52 PM
30	Having more visiting officers trained to deal with and make decisions on methods would help greatly.	8/9/2019 1:18 PM
31	More expeditiously	8/9/2019 12:56 PM
32	Increase the deminimus level in line with inflation	8/9/2019 12:47 PM
33	See answer to Q10	8/9/2019 12:34 PM
34	Meet clients, understand the business, work with businesses to discuss and agree a method that would be agreeable	8/9/2019 12:12 PM
35	More time spent understanding the industry would be nice, but I accept that it's difficult enough to understand what's going on for those working in industry. We have to accept that HMRC has finite resources, to deal with VAT at least, so maybe there should be a greater emphasis on industry and their advisors (many of whom are ex-HMRC like me) to help.	8/9/2019 10:24 AM
36	More training for HMRC staff. Many do not understand de minimis, or the meaning of attribution	8/9/2019 9:59 AM
37	Increase the knowledge of their staff so that they don't make time consuming requests to businesses, eg to redo their calculations to calculate the taxable rather than the exempt proportion of overhead when the arithmetic result is exactly the same.	8/9/2019 9:30 AM
38	See above	8/9/2019 9:17 AM
39	give them some guidance on how MTD will apply to partially exempt businesses!	8/8/2019 10:30 PM
40	No	8/8/2019 9:16 PM
41	At the moment businesses are spending far too much time and money on this one aspect of VAT. We need either a far simpler arithmetic process or someone more complicated which is built into finance and accounts payable systems across all taxpayers.	8/8/2019 7:59 PM
42	Willingness to meet	8/8/2019 6:50 PM
43	In the absence of wider changes as above, there is scope for crisper and clearer guidance setting out the basic principles, and what is required in order to enable faster processing of proposals. While legislation remains as it is, simply taking a lighter touch will simply benefit the best funded businesses at the expense of the majority	8/8/2019 6:35 PM
44	The main thing that would help is having appropriately trained and experienced staff, competent in the PE (and business/non business) rules who also have an understanding of the sectors they are advising. Development and agreement of a PESH is one of the more complex areas of VAT and to be able to assess the fairness of a method adequately requires a good understanding of how the business, and industry, operates.	8/8/2019 6:26 PM
45	HMRC should perform an annual health check on PESH businesses.	8/8/2019 6:19 PM
46	Greater data capture of partial exemption position on VAT returns (e.g. reporting of VAT exempt supplies and PESH calculation).	8/8/2019 5:44 PM
47	Train their officers properly in PE, I would not trust 98% of officers to have anything but a very rudimentary knowledge of PE	8/8/2019 5:38 PM
48	No	8/8/2019 5:37 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

49	There is an inherent mistrust of such businesses by HMRC officers with preconceived assumptions of percentages which are not then adjusted in the light of the business information proving otherwise. This HMRC approach has to be addressed before there can be any improvement in the negotiation process.	8/8/2019 5:30 PM
50	Should merge capital goods scheme with PESM regulations and have a prescriptive formula to do an annual adjustment as part of an annual PESM return.	8/8/2019 4:57 PM
51	stop assuming that every PESM is designed to maximise VAT recovery.	8/8/2019 4:49 PM
52	No	8/8/2019 4:47 PM
53	no	8/8/2019 4:46 PM
54	no	8/8/2019 4:38 PM
55	A better understanding of particular aspects of business and taking a top down approach rather than asking for significant detail and then not using it.	8/8/2019 4:37 PM
56	Under standing the business sector of a PE taxpayer	8/8/2019 4:36 PM
57	As above.	8/8/2019 4:35 PM
58	A dedicated helpline? After calling the advice line on a CGS/PE query and having a call-back from the "technical team" they still did not have the knowledge to a query that I would have thought is a regular issue	8/8/2019 4:35 PM
59	Improve communication between the PE specialist teams and the PE companies. PE is often regarded as a black art by people who only know a bit.	8/8/2019 4:35 PM

Q12 What is your experience of carrying out the de minimis calculation? Please rate on a scale of 1 to 10 with 1 being extremely difficult and 10 being extremely easy.

Answered: 121 Skipped: 146



ANSWER CHOICES	AVERAGE NUMBER	TOTAL NUMBER	RESPONSES
	6	749	121
Total Respondents: 121			

#		DATE
1	8	8/27/2019 8:00 PM
2	7	8/25/2019 11:44 AM
3	5	8/24/2019 4:03 PM
4	5	8/23/2019 5:23 PM
5	5	8/20/2019 4:27 PM
6	10	8/19/2019 1:42 PM
7	9	8/19/2019 11:32 AM
8	5	8/19/2019 9:37 AM
9	8	8/16/2019 4:48 PM
10	9	8/16/2019 4:04 PM
11	8	8/16/2019 12:58 PM
12	5	8/16/2019 11:30 AM
13	7	8/15/2019 5:02 PM
14	5	8/15/2019 4:45 PM
15	9	8/15/2019 4:40 PM
16	7	8/15/2019 12:59 PM
17	9	8/14/2019 2:50 PM
18	0	8/14/2019 12:45 PM
19	9	8/14/2019 11:06 AM
20	5	8/14/2019 10:12 AM
21	7	8/14/2019 9:32 AM
22	3	8/13/2019 6:33 PM
23	8	8/13/2019 5:20 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

24	10	8/13/2019 3:47 PM
25	5	8/13/2019 1:53 PM
26	10	8/13/2019 12:01 PM
27	5	8/13/2019 11:51 AM
28	5	8/13/2019 11:47 AM
29	8	8/13/2019 10:12 AM
30	6	8/13/2019 9:59 AM
31	7	8/13/2019 8:53 AM
32	5	8/12/2019 5:01 PM
33	5	8/12/2019 3:47 PM
34	3	8/12/2019 3:18 PM
35	4	8/12/2019 2:48 PM
36	5	8/12/2019 1:58 PM
37	9	8/12/2019 12:26 PM
38	7	8/12/2019 11:45 AM
39	1	8/12/2019 11:34 AM
40	4	8/12/2019 10:38 AM
41	5	8/12/2019 10:17 AM
42	0	8/11/2019 11:09 AM
43	10	8/10/2019 2:08 PM
44	9	8/10/2019 2:07 PM
45	8	8/10/2019 1:58 PM
46	10	8/10/2019 10:45 AM
47	7	8/9/2019 11:26 PM
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49	5	8/9/2019 5:27 PM
50	5	8/9/2019 5:11 PM
51	6	8/9/2019 4:24 PM
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57	5	8/9/2019 1:20 PM
58	5	8/9/2019 12:57 PM
59	8	8/9/2019 12:48 PM
60	5	8/9/2019 12:36 PM
61	8	8/9/2019 12:14 PM
62	5	8/9/2019 10:42 AM
63	0	8/9/2019 10:39 AM
64	10	8/9/2019 10:29 AM
65	8	8/9/2019 10:02 AM
66	5	8/9/2019 9:48 AM
67	8	8/9/2019 9:31 AM

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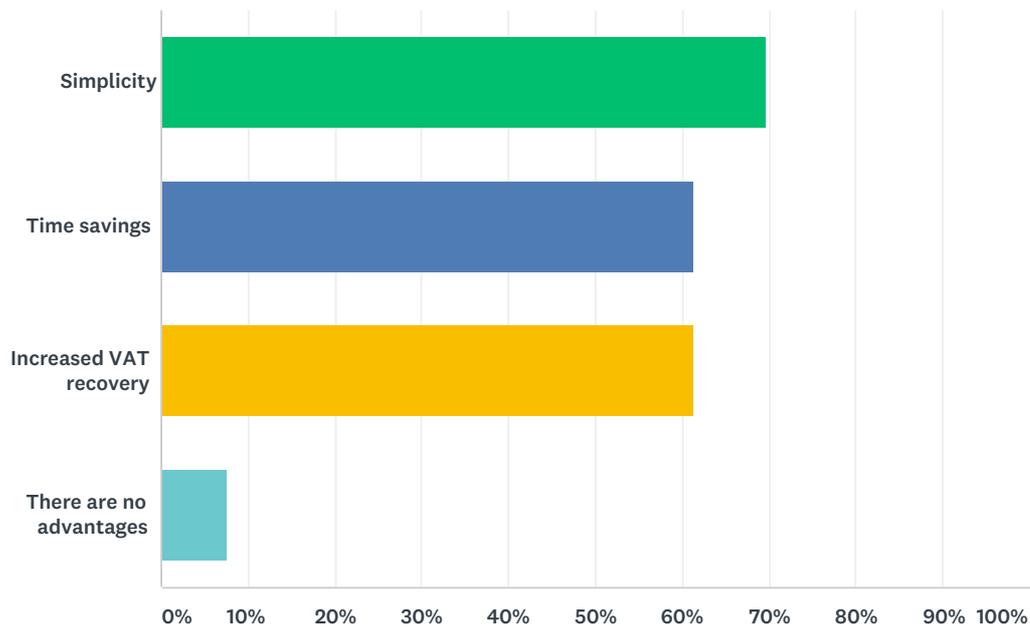
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103	5	8/8/2019 4:52 PM
104	5	8/8/2019 4:51 PM
105	10	8/8/2019 4:50 PM
106	9	8/8/2019 4:48 PM
107	7	8/8/2019 4:48 PM
108	8	8/8/2019 4:47 PM
109	10	8/8/2019 4:46 PM
110	4	8/8/2019 4:45 PM
111	8	8/8/2019 4:40 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

112	10	8/8/2019 4:40 PM
113	8	8/8/2019 4:38 PM
114	0	8/8/2019 4:38 PM
115	8	8/8/2019 4:37 PM
116	8	8/8/2019 4:37 PM
117	5	8/8/2019 4:37 PM
118	2	8/8/2019 4:36 PM
119	6	8/8/2019 4:35 PM
120	6	8/8/2019 4:35 PM
121	10	8/8/2019 4:34 PM

Q13 What would the advantages of increasing the de minimis threshold be to business?(select all that apply)

Answered: 132 Skipped: 135



ANSWER CHOICES	RESPONSES
Simplicity	69.70% 92
Time savings	61.36% 81
Increased VAT recovery	61.36% 81
There are no advantages	7.58% 10
Total Respondents: 132	

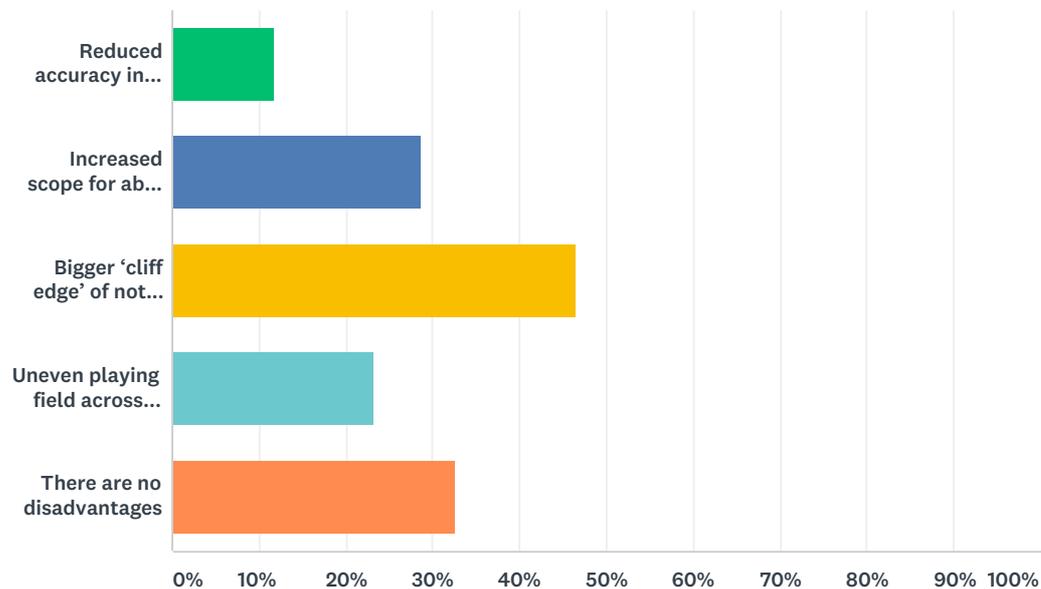
#	OTHER (PLEASE SPECIFY)	DATE
1	The amounts are so small they are rarely of use.	8/19/2019 10:12 PM
2	I can't see that this would make things simpler or save time but it would result in reduction of tax payers doing the standard method or applying for a PESM.	8/19/2019 1:42 PM
3	Local authorities spend days on keeping below 5% de minimis limits. Increase the %.	8/19/2019 9:37 AM
4	Should have continued to be increased in line with inflation. Reduced compliance costs for HMRC	8/16/2019 4:04 PM
5	Depends on level of increase - would need to be big to make a difference	8/15/2019 4:45 PM
6	Perhaps make it turnover related rather than an absolute figure?	8/14/2019 2:50 PM
7	Any limit would not achieve increased simplicity or time saving; it would still need to be calculated and monitored...	8/14/2019 12:43 PM
8	The limit has not been increased for many years and is too low. Business find themselves caught as a result of this and there is a lot of work required to comply with requirements	8/12/2019 5:01 PM
9	Could possibly be applied to different sectors in different ways	8/9/2019 12:36 PM
10	If you make the threshold high enough, you may be able to remove a large number of relatively small business from the scheme.	8/9/2019 10:29 AM
11	Take a large number of smaller businesses out of partial exemption altogether	8/8/2019 6:40 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

12	In my experience, businesses that fall within the de-minimis limit are extremely unlikely to be using a PESM. The standard method is very straightforward (and is required to be calculated before applying de-minimis anyway) so it doesn't really save much time/effort/etc. Increasing the threshold would increase by a small amount the VAT recoverable by a limited number of businesses that fall within the scope of the rules but doesn't really address the overall issues in how HMRC manage partial exemption. Any action in this area creates a change in rules for a lot of small businesses, won't yield any additional revenue, will make compliance more difficult (changes result in people making more errors) and doesn't do anything to tackle the (perceived) risks which exist within larger businesses relating to their PESMs.	8/8/2019 6:34 PM
13	The limit has only changed once since the original limit was set - a limit of at least £950 pm would take into account inflation	8/8/2019 5:42 PM
14	It is extremely time consuming exercise which requires a review into a large amount of data from multiple sources	8/8/2019 5:08 PM
15	This would remove smaller businesses from having to do complex calculations.	8/8/2019 4:48 PM
16	The increase in recovery may be small	8/8/2019 4:38 PM
17	The limits haven't increased for 30 years and certainly require a proper review.	8/8/2019 4:37 PM

Q14 What would the disadvantages of increasing the de minimis threshold be to business?(select all that apply)

Answered: 129 Skipped: 138

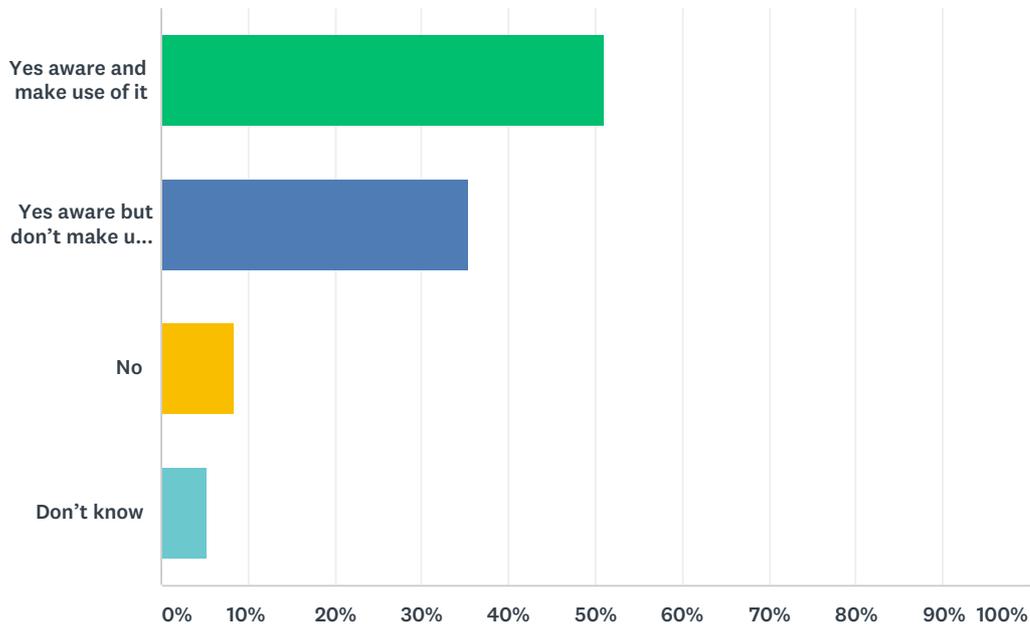


ANSWER CHOICES	RESPONSES
Reduced accuracy in recording input VAT	11.63% 15
Increased scope for abuse	28.68% 37
Bigger 'cliff edge' of not being de minimis	46.51% 60
Uneven playing field across similar taxpayers	23.26% 30
There are no disadvantages	32.56% 42
Total Respondents: 129	

#	OTHER (PLEASE SPECIFY)	DATE
1	Reduced revenue collection for HMRC. However, reduced compliance costs - unlikely to make a huge difference overall	8/16/2019 4:04 PM
2	Whether would be scope for significant abuse would depend on the new level of the threshold - working assumption is that it would still be relatively de minimis.	8/13/2019 11:51 AM
3	Only disadvantage I can see is loss of VAT to the exchequer	8/13/2019 10:12 AM
4	More businesses would have to undertake PE calculations which are always necessary before and in order to decide if the de minimis threshold applies.	8/9/2019 6:27 PM
5	In theory these disadvantages apply - however, the limits have not increased for so many years they surely no longer reflect the same sort of cost basis/size of business they were originally intended to apply to.	8/9/2019 1:20 PM
6	Simply restoring the value of exempt input tax to 1994 levels is hard to argue with.	8/8/2019 6:40 PM
7	For many businesses there would be no problem but any company inclined to be 'creative' would try to work it even more.	8/8/2019 4:37 PM
8	Presumably less revenue for HMRC.	8/8/2019 4:36 PM

Q15 Are you aware of the existing de minimis simplification, and do you make use of it?

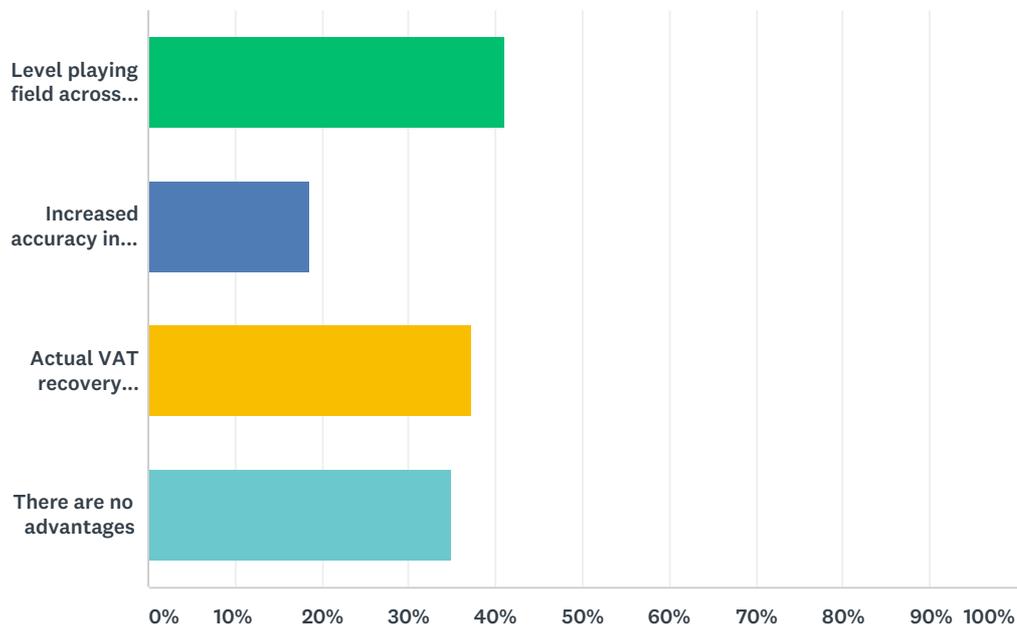
Answered: 133 Skipped: 134



ANSWER CHOICES	RESPONSES	
Yes aware and make use of it	51.13%	68
Yes aware but don't make use of it	35.34%	47
No	8.27%	11
Don't know	5.26%	7
TOTAL		133

Q16 What would be the advantages of removing the de minimis threshold?(select all that apply)

Answered: 129 Skipped: 138

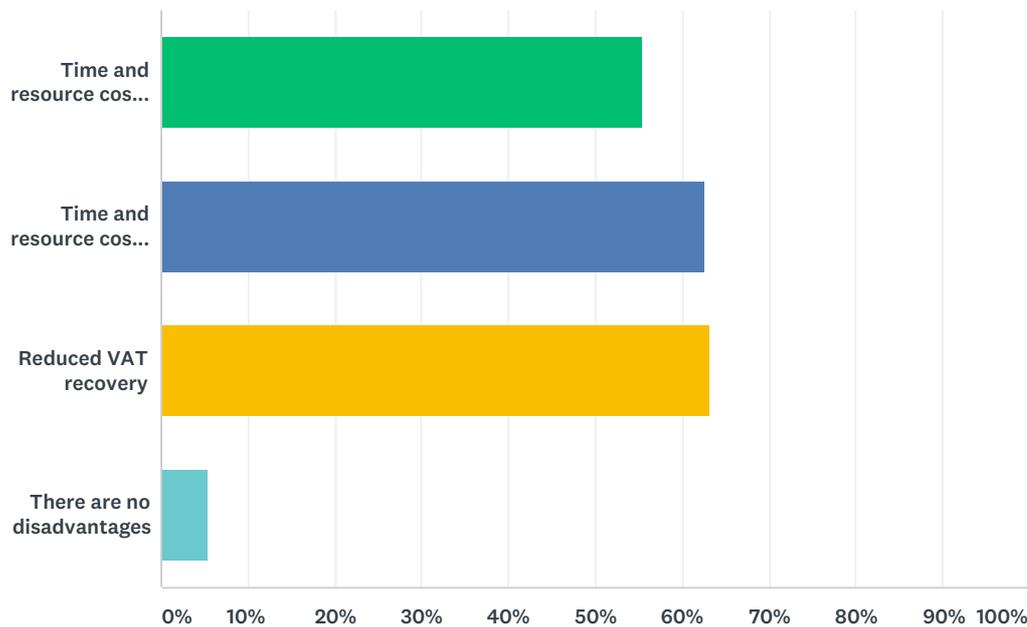


ANSWER CHOICES	RESPONSES
Level playing field across all taxpayers	41.09% 53
Increased accuracy in recording input VAT	18.60% 24
Actual VAT recovery position determined	37.21% 48
There are no advantages	34.88% 45
Total Respondents: 129	

#	OTHER (PLEASE SPECIFY)	DATE
1	Without any threshold at all, far more businesses would need to do detailed calculations	8/16/2019 1:00 PM
2	But then no exempt-attributable VAT is recoverable. a potentially heavy blow to some SMEs...	8/14/2019 12:45 PM
3	Increased VAT for the exchequer at the price of more complexity for business and HMRC inspectors - not worth it and against the drive for simplification	8/13/2019 10:14 AM
4	If a small business uses partial exemption from the very beginning they will become familiar with the method quicker and it will be easier to put in place processes to track input tax and outputs required for the calculation. A business on the de-minimis threshold won't have to learn both methods and potentially have to carry out de-minimis calcs before then having to carry out a full calculation.	8/11/2019 11:16 AM
5	Partial exemption should only apply to businesses that routinely have extensive exempt supplies. De minimus deals with small amounts within a business that would have little impact on recovery compared to admin for all involved.	8/10/2019 2:12 PM
6	Simpler	8/8/2019 6:56 PM
7	Would simply pull a large number of small businesses into the partial exemption net with associated costs and time, without a proportionate tax benefit	8/8/2019 6:44 PM
8	This question does not make sense	8/8/2019 5:45 PM
9	Would bring in too many small businesses that have only one tiny bit of exempt activity.	8/8/2019 4:41 PM
10	It would just bring additional book-keeping burden to small PE businesses that can currently ignore PE with little loss to the revenue.	8/8/2019 4:37 PM

Q17 What would be the disadvantages of removing the de minimis threshold?(select all that apply)

Answered: 128 Skipped: 139



ANSWER CHOICES	RESPONSES
Time and resource costs of fully attributing input VAT	55.47% 71
Time and resource costs calculating partial exemption position	62.50% 80
Reduced VAT recovery	63.28% 81
There are no disadvantages	5.47% 7
Total Respondents: 128	

#	OTHER (PLEASE SPECIFY)	DATE
1	See Q16	8/14/2019 12:45 PM
2	Per above	8/13/2019 10:14 AM
3	For many businesses who know they are always going to be de minimis but still have to go through the hoops of carrying out the PE comp to prove it is a bit of a pain.	8/9/2019 2:00 PM
4	Unintended noncompliance with trades with very small amounts of exempt services	8/9/2019 12:51 PM
5	Accurately recording the data for the partial calculation isn't rocket science	8/9/2019 10:03 AM
6	Same as comment at Q16	8/8/2019 5:45 PM
7	Also that it would not fairly reflect the absorption of costs and the way in which it should be accurately recovered by trading businesses.	8/8/2019 5:05 PM
8	The de minimis limits make life much simpler for so many small businesses, accountants and VAT officers removing it would be totally counterproductive.	8/8/2019 4:41 PM

Q18 Do you have other suggestions to improve or simplify the application of the de minimis regime?

Answered: 32 Skipped: 235

#	RESPONSES	DATE
1	No	8/27/2019 8:00 PM
2	The application to businesses with a divisional registration is harsh where the business is otherwise fully taxable.	8/19/2019 10:14 PM
3	Increase the limit on a regular basis in line with inflation	8/16/2019 4:51 PM
4	No	8/15/2019 4:46 PM
5	we don't deal with this	8/14/2019 4:19 PM
6	as above	8/14/2019 2:52 PM
7	See above regarding a percentage de-minimis...	8/14/2019 12:45 PM
8	Possibly limit its use to not for profit sector or smaller businesses where the increased recovery would really make a difference to them	8/14/2019 9:34 AM
9	No	8/13/2019 12:02 PM
10	No	8/13/2019 10:00 AM
11	No	8/12/2019 1:58 PM
12	The current monetary limit and not more than half of all input tax to prevent "toothbrush" schemes works well. It is simply that the monetary limits have remained static for over 20 years so what was insignificant 20 years ago is now miniscule. I just think the monetary limit should be adjusted for inflation, say every 5 years it would be consistent with the original purpose of the limit.	8/9/2019 2:00 PM
13	I have worked in VAT for 16 years and the limit hasnt changed 625 pcm 7500 pa..... surely it should change like the reg. threshold	8/9/2019 12:59 PM
14	As per previous answer, raise the limit high enough and it could mean that a good number of businesses fall out of the scheme. This would free resources to focus on the most significant PE positions.	8/9/2019 10:31 AM
15	Global overhead recovery calculation with no exceptions	8/9/2019 9:33 AM
16	No	8/8/2019 9:18 PM
17	The pex calculations need to be performed anyway so it doesn't really simplify the in year calculation. For some small businesses the additional vat recovery is a real advantage but the threshold is too low to have any real impact. The complexity comes in doing directly attributable exempt input tax and residual for de minimis. I would scrap it for directly attributable and apply it to residual only	8/8/2019 6:56 PM
18	Increase the de minimis limit in line with inflation	8/8/2019 6:50 PM
19	A simple overall turnover percentage calculation for example a simple annual turnover percentage calculation could determine whether a business is deminimis for example our exempt income over total income is less than 0.2% but we still have to have a PESM which results in a 'pot' disallowance of £6,500	8/8/2019 6:29 PM
20	Again, reporting on the VAT return may be possible	8/8/2019 5:45 PM
21	No	8/8/2019 5:40 PM
22	It's pretty simple as it is!	8/8/2019 5:25 PM
23	See earlier comment	8/8/2019 5:09 PM
24	remove exempt VAT code	8/8/2019 5:05 PM
25	Standard calculator available on HMRC website for all businesses to ensure consistency with rounding and calculations	8/8/2019 4:57 PM
26	a flat rate percentage for specific sectors.	8/8/2019 4:51 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

27	Remove the simplified test	8/8/2019 4:50 PM
28	no	8/8/2019 4:49 PM
29	no	8/8/2019 4:41 PM
30	Removal of de minimis simplifies the process	8/8/2019 4:41 PM
31	Improving knowledge of the rules, and reminding everyone it exists.	8/8/2019 4:41 PM
32	Increase it significantly, to, say, £30,000 in line with inflation since the £7,500 limit was introduced.	8/8/2019 4:38 PM

Q19 Do you have any suggestions on how to determine what can be considered as 'insignificant' that would be different to the current de minimis tests?

Answered: 35 Skipped: 232

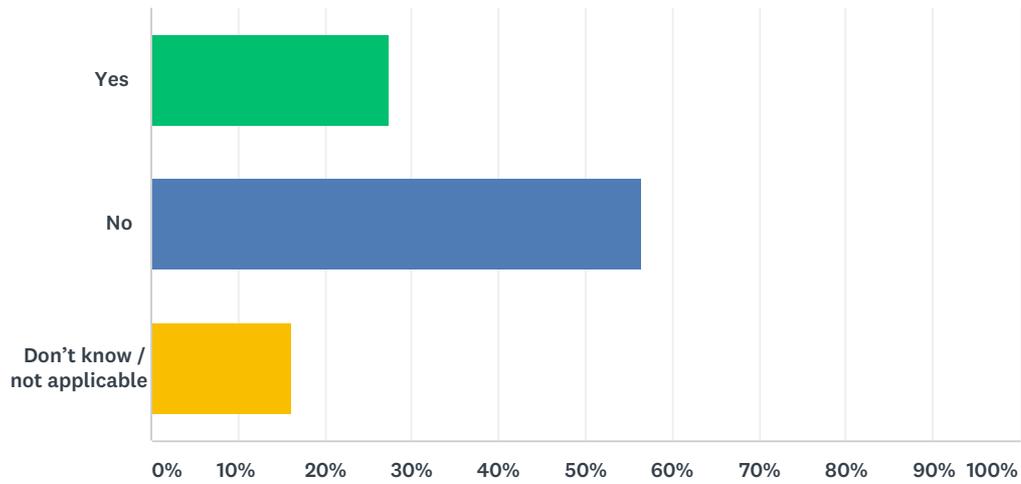
#	RESPONSES	DATE
1	No	8/27/2019 8:00 PM
2	% of turnover	8/19/2019 10:14 PM
3	Turnover of business should be a factor	8/19/2019 9:38 AM
4	No	8/16/2019 4:51 PM
5	Yes - de minimis rules as set in 1989 upgraded with inflation to a current figure	8/16/2019 4:06 PM
6	Something based solely on turnover. The current simplifications are way too complicated	8/16/2019 1:00 PM
7	No	8/15/2019 4:46 PM
8	It needs a common sense approach	8/15/2019 1:00 PM
9	Turnover test rather than absolute? This could be less therefore for smaller businesses but higher for bigger businesses.	8/14/2019 2:52 PM
10	3% of turnover ?	8/14/2019 12:46 PM
11	See above regarding a percentage de-minimis...	8/14/2019 12:45 PM
12	As a percentage of income	8/14/2019 9:34 AM
13	No	8/13/2019 12:02 PM
14	Increase threshold to £2,000 a month	8/13/2019 10:14 AM
15	No	8/13/2019 10:00 AM
16	No	8/12/2019 1:58 PM
17	It would be more helpful to have a clearer definition of 'incidental' rather than insignificant.	8/10/2019 2:00 PM
18	See above, take what was insignificant and just adjust for inflation.	8/9/2019 2:00 PM
19	No	8/8/2019 9:18 PM
20	Apply de minimis to residual only and base it on % recovery as well as vat amount	8/8/2019 6:56 PM
21	A measure more focused on the level of exempt turnover - this would be consistent with efforts to make recovery reflect the economic reality of the business, although such a measure would need to be carefully designed to avoid one-off outliers	8/8/2019 6:44 PM
22	Possibly look at applying a percentage test rather than absolute monetary value. E.g. if exempt supplies are less than 5% of turnover then no apportionment required on residual VAT (but directly attributable exempt input VAT still non-recoverable). This could be subject to an overall turnover cap in a similar way to other schemes like FRS or Cash Accounting.	8/8/2019 6:36 PM
23	See response at 18 above. Exempt turnover percentage - set an 'insignificant' percentage. If there is concern about directly attributable exempt input VAT then potentially block that (subject to a value de minimis) and simple turnover percentage calculation to determine whether de minimis for 'pot' calculations.	8/8/2019 6:29 PM
24	No	8/8/2019 5:40 PM
25	A trivial threshold e.g. percentage of income?	8/8/2019 5:25 PM
26	See earlier comment on using a % of turnover based value	8/8/2019 5:09 PM
27	5% of total input tax	8/8/2019 4:51 PM
28	No	8/8/2019 4:50 PM
29	no	8/8/2019 4:49 PM
30	no	8/8/2019 4:41 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

31	Turnover test; say if exempt income is less than 5% total income, treat business as wholly taxable (maybe for the smaller businesses at least, with an upper turnover limit applied)	8/8/2019 4:41 PM
32	Exempt income below £10,000 a year would be easy to check and a simple first step.	8/8/2019 4:41 PM
33	Perhaps a percentage of turnover but with a set minimum in £. Difficult as an insignificant sum to one business could be substantial to another. It should at least be increased each year in line with inflation.	8/8/2019 4:40 PM
34	Using a value test results in more work for larger businesses, without taking anything else into account	8/8/2019 4:40 PM
35	£85k	8/8/2019 4:35 PM

Q20 Does your business have assets within the CGS?

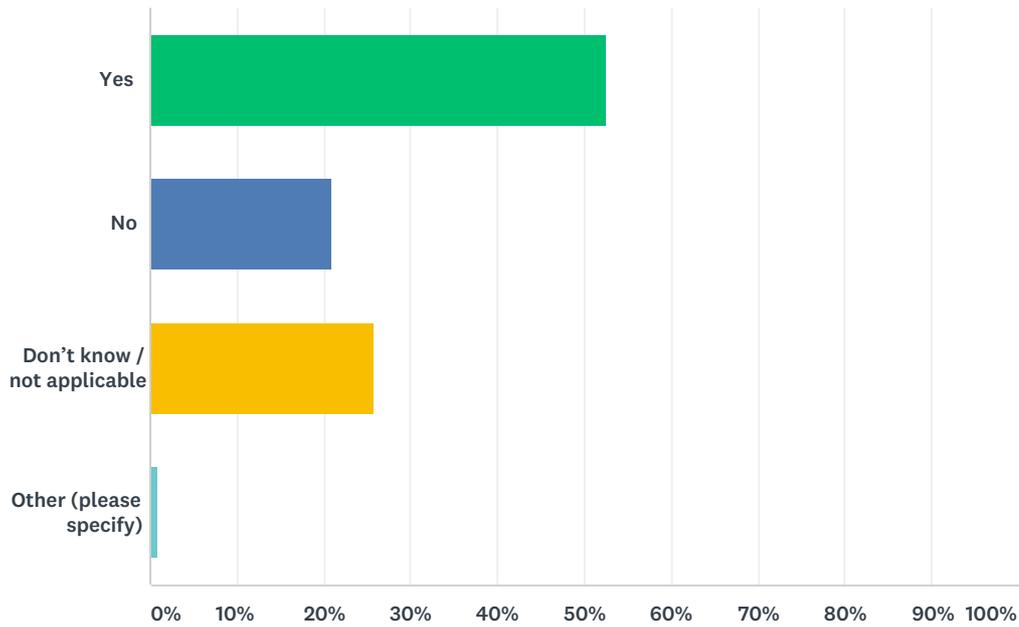
Answered: 124 Skipped: 143



ANSWER CHOICES	RESPONSES	
Yes	27.42%	34
No	56.45%	70
Don't know / not applicable	16.13%	20
TOTAL		124

Q21 Do any of your clients have assets within the CGS?

Answered: 120 Skipped: 147

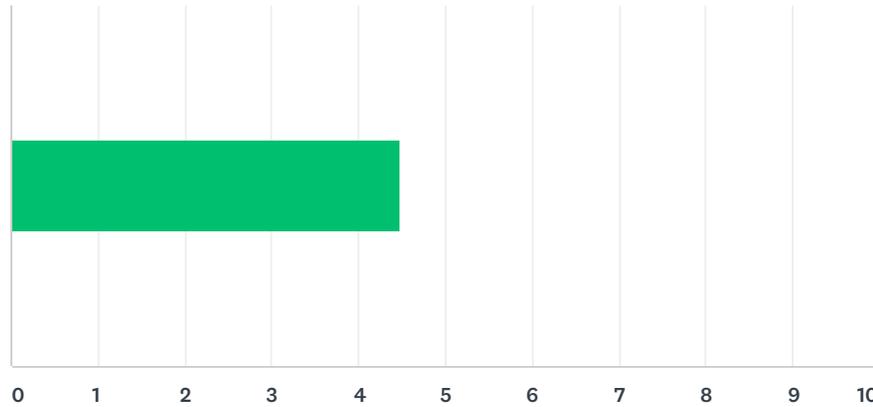


ANSWER CHOICES	RESPONSES	
Yes	52.50%	63
No	20.83%	25
Don't know / not applicable	25.83%	31
Other (please specify)	0.83%	1
TOTAL		120

#	OTHER (PLEASE SPECIFY)	DATE
1	We have assets that would be CGS if we were a commercial body.	8/8/2019 4:46 PM

Q22 If so, how easy is it (on average) to administer the CGS? Please rate on a scale of 1 to 10 with 1 being extremely difficult and 10 being extremely easy.

Answered: 91 Skipped: 176



ANSWER CHOICES	AVERAGE NUMBER	TOTAL NUMBER	RESPONSES
	4	408	91
Total Respondents: 91			

#		DATE
1	3	8/27/2019 8:07 PM
2	2	8/25/2019 11:47 AM
3	5	8/24/2019 4:04 PM
4	5	8/20/2019 4:32 PM
5	5	8/19/2019 10:16 PM
6	3	8/19/2019 1:47 PM
7	5	8/19/2019 11:34 AM
8	1	8/19/2019 9:40 AM
9	5	8/16/2019 4:55 PM
10	5	8/16/2019 4:08 PM
11	1	8/16/2019 1:03 PM
12	5	8/16/2019 11:32 AM
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15	7	8/15/2019 4:46 PM
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17	5	8/14/2019 2:54 PM
18	8	8/14/2019 11:08 AM
19	8	8/14/2019 9:39 AM
20	2	8/13/2019 6:36 PM
21	8	8/13/2019 1:57 PM
22	10	8/13/2019 12:03 PM
23	3	8/13/2019 11:55 AM

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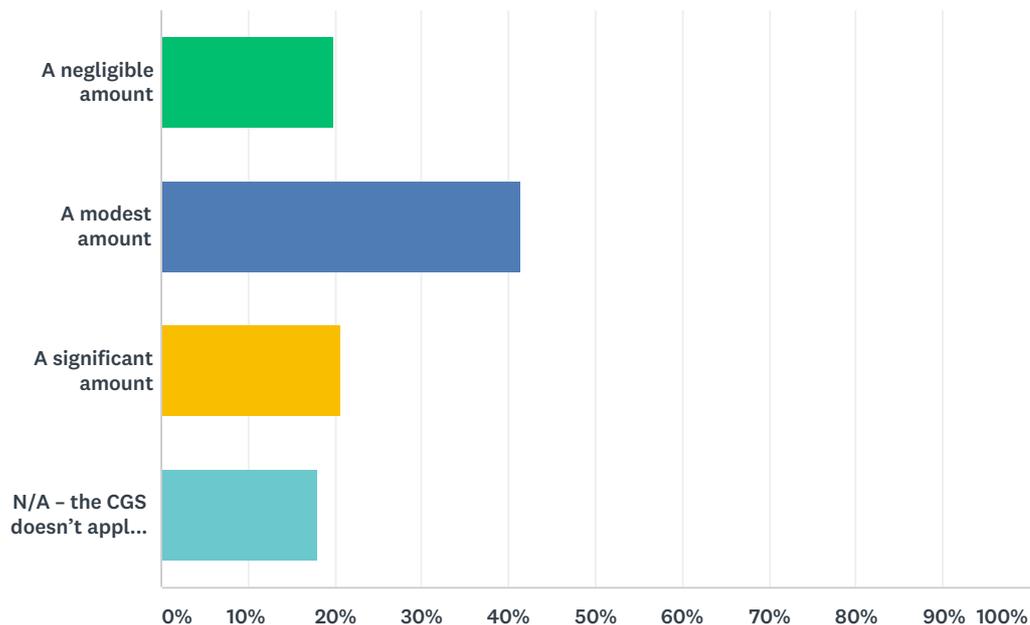
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29	5	8/12/2019 3:50 PM
30	2	8/12/2019 2:49 PM
31	5	8/12/2019 1:41 PM
32	5	8/12/2019 12:27 PM
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44	9	8/9/2019 4:02 PM
45	3	8/9/2019 3:39 PM
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51	0	8/9/2019 10:57 AM
52	1	8/9/2019 10:41 AM
53	2	8/9/2019 10:05 AM
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61	7	8/8/2019 7:45 PM
62	1	8/8/2019 7:03 PM
63	5	8/8/2019 6:59 PM
64	2	8/8/2019 6:53 PM
65	1	8/8/2019 6:49 PM
66	5	8/8/2019 6:34 PM
67	1	8/8/2019 6:22 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

68	2	8/8/2019 5:53 PM
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70	7	8/8/2019 5:48 PM
71	9	8/8/2019 5:46 PM
72	6	8/8/2019 5:43 PM
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87	2	8/8/2019 4:42 PM
88	9	8/8/2019 4:42 PM
89	5	8/8/2019 4:41 PM
90	3	8/8/2019 4:40 PM
91	1	8/8/2019 4:37 PM

Q23 How much time and resource do you allocate to carrying out CGS calculations? (either for your own businesses, or per client)

Answered: 111 Skipped: 156



ANSWER CHOICES	RESPONSES	
A negligible amount	19.82%	22
A modest amount	41.44%	46
A significant amount	20.72%	23
N/A – the CGS doesn't apply to us	18.02%	20
TOTAL		111

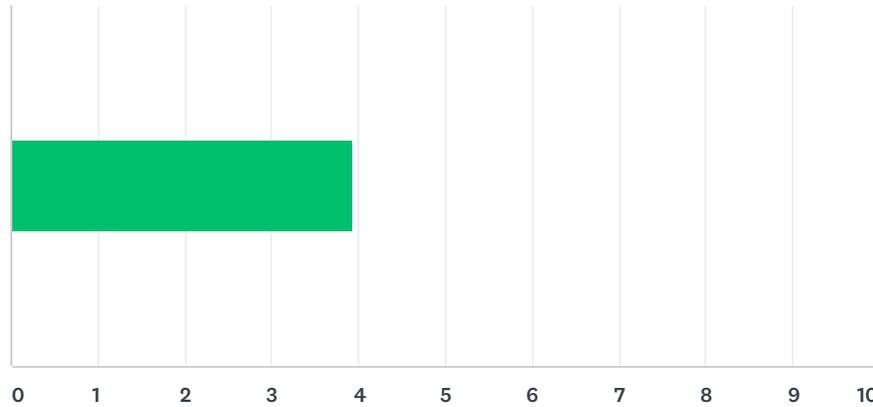
#	COMMENTS	DATE
1	Once the cost is identified, provided a property is not disposed of within 10 years, the calculations are fairly easy to administer	8/20/2019 4:32 PM
2	Once you get into the nitty gritty there are numerous questions that arise that neither legislation nor guidance address	8/16/2019 1:03 PM
3	A disproportionate amount of time and resource is spent preparing calculations for negligible adjustments - our recovery percentage is so low that that adjustments are tiny.	8/15/2019 4:51 PM
4	The problem is simply record keeping to administer the adjustments	8/15/2019 1:02 PM
5	we have to trail through an inordinate amount of paperwork for negligible amounts per year (£25). the time and risk is not proportionate	8/14/2019 4:35 PM
6	Normally CGS assets within fully taxable business so only have to think about on sale of asset or owner	8/13/2019 1:57 PM
7	As a law firm we would seldom perform the actual calculations.	8/13/2019 11:55 AM
8	We devote significant resources to this area to calculate a small adjustment	8/12/2019 5:03 PM
9	Takes about a week including new information gathering.	8/10/2019 2:19 PM
10	Modest annually, but significant when agreeing the methodology with HMRC.	8/9/2019 5:18 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

11	The issue is less with carrying out the calculations but with otherwise taxable or largely taxable businesses being unaware of it, and then when a property is disposed of and an adjustment becomes due finding out how much VAT a client paid, when the item was first used in order to be able to carry out the adjustment	8/9/2019 2:08 PM
12	There are significant errors we come across where clients have disposed of buildings without knowing or understanding of CGS for buildings bought 5-10 years ago etc.	8/9/2019 12:16 PM
13	I don't deal with it so much now, but have done and it can be hard to do. The fixed asset register is not always up to date or accurate/detailed enough for the purposes of the CGS. It can be hard to keep tabs on projects in real time.	8/9/2019 10:41 AM
14	This sometimes can get missed	8/9/2019 9:54 AM
15	Do not have such clients	8/8/2019 9:19 PM
16	An excessive amount of time and resource input for a completely insignificant adjustment value. This is mainly because the business does not have wildly varying proportions of exempt income to total income. Furthermore, the size of the total turnover means a large increase in exempt income has an extremely minor impact on the exempt percentage	8/8/2019 7:03 PM
17	Regs are very complicated, and because of the extended timescale involved, CGS is often ignored, or forgotten about	8/8/2019 6:53 PM
18	The overall CGS adjustment in the business is not material but the level of work required to monitor assets (new and existing) is significant. Owing to the nature of the organisation, with a large estate to maintain, there are multiple new assets added to the CGS register each year with c.130 currently active within the CGS many of which with single figure adjustments. Given the threshold has not moved since 1990 it seems like it is right for an increase to be applied - using the Bank of England inflation calculator £250k in 1990 equates to £558k in 2018 so an increase to £500k would be more than reasonable.	8/8/2019 6:49 PM
19	It can often be the case that a disproportionate amount of time is spent on this relative to the amount of VAT in question, particularly where the partial exemption recovery rate is high	8/8/2019 5:50 PM
20	Everybody ignores the requirements of the CGS including HMRC	8/8/2019 5:46 PM
21	Retired	8/8/2019 5:43 PM
22	It is not at all hard if you have a good spreadsheet.	8/8/2019 5:27 PM
23	Buildings and assets still held	8/8/2019 4:48 PM
24	If a business is well organised this is simple to do (once did a VAT visit to a fairly small golf course that had 2 running at the same time and did it with less effort than a large national company did with their 1	8/8/2019 4:46 PM
25	As a fully taxable business CGS only applies in limited circumstances	8/8/2019 4:42 PM

Q24 Does this have an impact on your business? Please rate on a scale of 1 to 10 with 1 being a negligible amount and 10 being a disproportionately large amount.

Answered: 84 Skipped: 183



ANSWER CHOICES	AVERAGE NUMBER	TOTAL NUMBER	RESPONSES
	4	331	84
Total Respondents: 84			

#		DATE
1	4	8/27/2019 8:07 PM
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19	3	8/13/2019 6:36 PM
20	2	8/13/2019 1:57 PM
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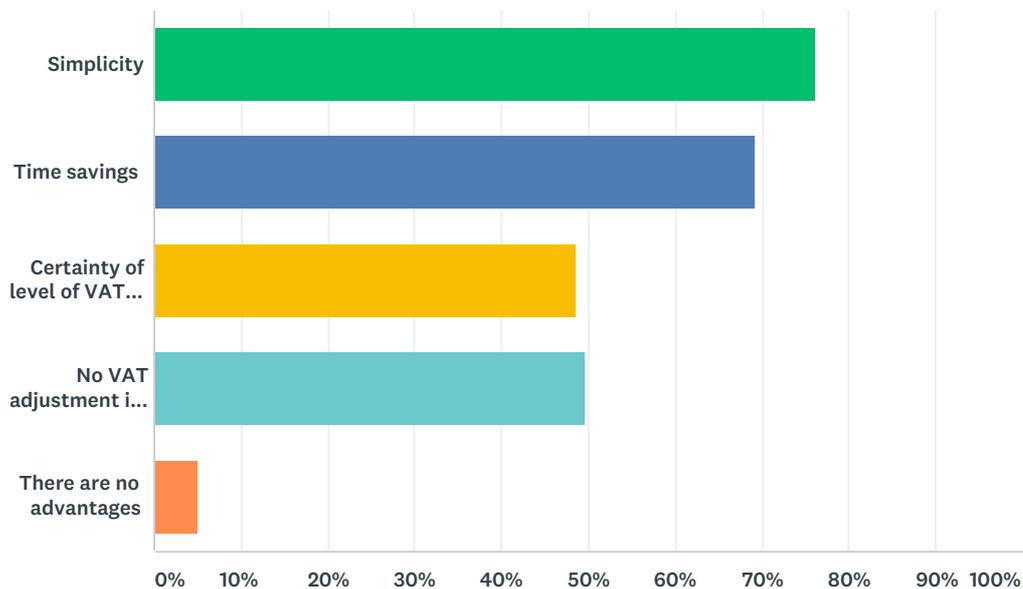
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33	4	8/12/2019 10:19 AM
34	5	8/10/2019 2:19 PM
35	3	8/10/2019 2:04 PM
36	8	8/10/2019 10:50 AM
37	5	8/9/2019 7:09 PM
38	3	8/9/2019 5:18 PM
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64	9	8/8/2019 5:50 PM
65	0	8/8/2019 5:46 PM
66	10	8/8/2019 5:43 PM
67	2	8/8/2019 5:00 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

68	3	8/8/2019 4:55 PM
69	1	8/8/2019 4:54 PM
70	6	8/8/2019 4:53 PM
71	4	8/8/2019 4:51 PM
72	7	8/8/2019 4:50 PM
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74	8	8/8/2019 4:48 PM
75	2	8/8/2019 4:46 PM
76	2	8/8/2019 4:44 PM
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78	6	8/8/2019 4:42 PM
79	2	8/8/2019 4:42 PM
80	2	8/8/2019 4:42 PM
81	4	8/8/2019 4:41 PM
82	2	8/8/2019 4:40 PM
83	1	8/8/2019 4:37 PM
84	8	8/8/2019 4:37 PM

Q25 What would be the advantages of increasing the threshold for land and property businesses?(select all that apply)

Answered: 101 Skipped: 166



ANSWER CHOICES	RESPONSES
Simplicity	76.24% 77
Time savings	69.31% 70
Certainty of level of VAT recovery	48.51% 49
No VAT adjustment if taxable use of assets below threshold decreases	49.50% 50
There are no advantages	4.95% 5
Total Respondents: 101	

#	OTHER (PLEASE SPECIFY)	DATE
1	The CGS is particularly poorly understood by small businesses that may have only one CGS item, often their trading premises and so raising the threshold is more likely to prevent these businesses getting involved in the scheme (and getting it wrong)	8/27/2019 8:07 PM
2	It depends on what to. You would still have to consider whether it applies.	8/14/2019 2:54 PM
3	When selling an asset within CGS we have to pass over lots of information which is usually irrelevant as asset fully used in taxable business by both parties. This can cause delays in sale process	8/13/2019 1:57 PM
4	It is difficult to imagine an increase in the land threshold that would take the cost of acquiring non-resi property plus improvement costs out of scope.	8/13/2019 11:55 AM
5	As above, administration and time savings especially when property transactions are contemplated. Typically the property lawyers wake up to VAT at the last minute and then you have to scrabble about to find out whether the property is within the CGS, how much VAT was claimed and what any adjustment on disposal would be.	8/9/2019 2:08 PM
6	What is defined as a 'land and property business'. That is not our core business, the CGS catches all business types. In fact HQ buildings fall into CGS and the adjustment is generally small with a disproportionate amount of work to complete the calculation - even a bank would usually have minor changes to its PE percentage but is caught having to undertake CGS. L&P businesses are often the ones with the greater movement in PE percentage not a mainly taxable or a mainly exempt business.	8/8/2019 7:03 PM

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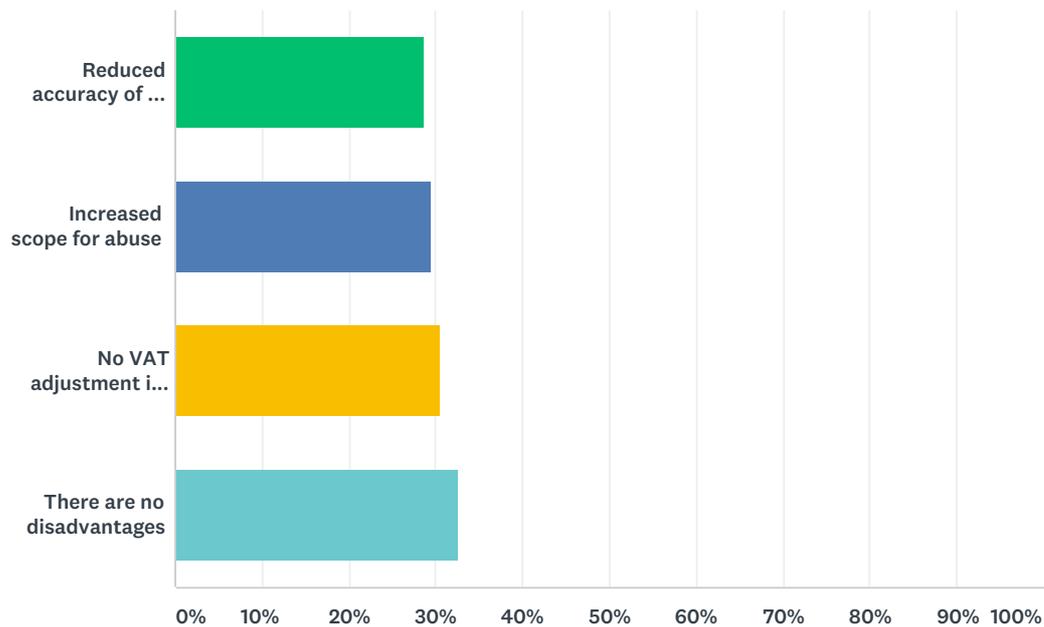
7

Again, the limits have remained the same for a considerable time. Costs have increased and the amount of projects that do (should) have a CGS have increased.

8/8/2019 4:46 PM

Q26 What would be the disadvantages of increasing the threshold for land and property businesses?(select all that apply)

Answered: 98 Skipped: 169



ANSWER CHOICES	RESPONSES
Reduced accuracy of VAT recovery where taxable use changes	28.57% 28
Increased scope for abuse	29.59% 29
No VAT adjustment if taxable use of assets below threshold increases	30.61% 30
There are no disadvantages	32.65% 32
Total Respondents: 98	

#	OTHER (PLEASE SPECIFY)	DATE
1	Cannot see how this would increase abuse - people who abuse will do so whatever the level.	8/13/2019 10:16 AM
2	See response to 25 above. This would not ease the position for the business sectors for whom the calculations are disproportionate.	8/8/2019 7:03 PM
3	Where taxable use changes then there's a a slightly increased chance of the VAT recovery being inaccurate but this applies both ways - under and over-recovery by businesses compared to their taxable usage. On an asset of £250k we're talking about a £50 VAT adjustment per CGS interval per 1% movement - businesses using a PESH will be working to two decimal places so can end up with adjustments much smaller than this on assets. The level of work required to calculate non-material adjustments cannot be justified.	8/8/2019 6:49 PM
4	It needs to be abolished, respected more in the breach. Regulations should wrap up a capital adjustment in annual PESH calculation.	8/8/2019 5:46 PM
5	Inability to adjust for increased taxable in use in future years for assets with a value below the threshold	8/8/2019 5:00 PM
6	Again, any company that might try to be 'creative' will be more encouraged.	8/8/2019 4:46 PM

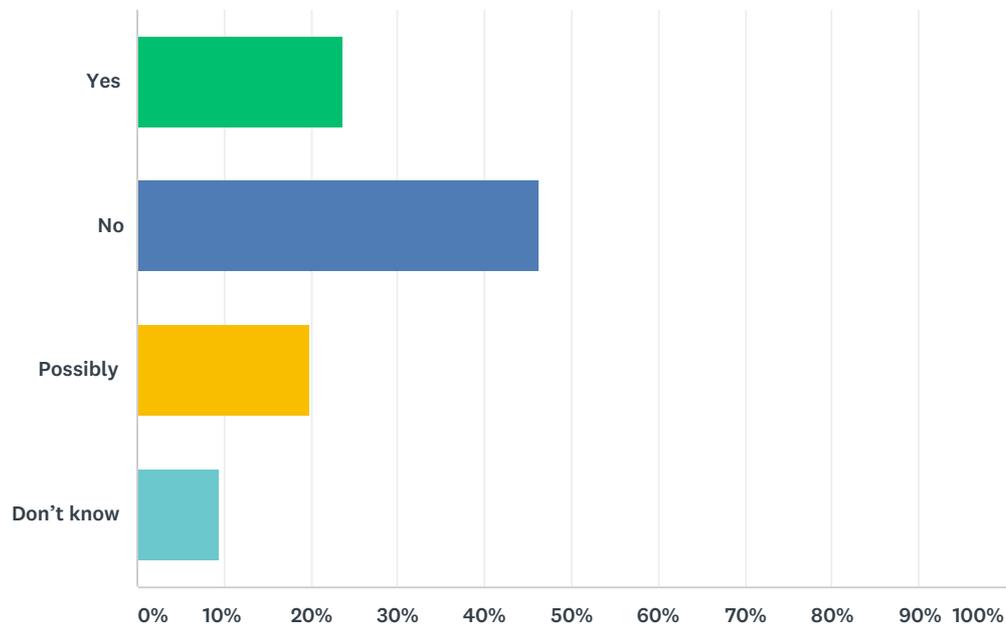
Q27 Would there be any other issues involved with increasing the land and property threshold?

Answered: 18 Skipped: 249

#	RESPONSES	DATE
1	No	8/27/2019 8:07 PM
2	Increasing the threshold would help manufacturers, retailers etc when changing the use of their property (eg letting surplus property for a short period). They are often less au fait with the CGS rules than land and property businesses and can be penalised for lack of awareness.	8/19/2019 10:16 PM
3	None	8/16/2019 4:55 PM
4	Increased the cliff edge threshold	8/14/2019 9:39 AM
5	No	8/13/2019 10:02 AM
6	Not to my business - it would simplify things enormously	8/12/2019 2:01 PM
7	The capital goods scheme is partly by it's nature an anti-avoidance scheme by preventing a building being used for taxable business in the first year allowing full recovery of input tax and then switching to a business with exempt activities. The threshold should thus be set at a level to capture all commercial buildings where there is scope for this abuse. 250k seems reasonable to me and I don't see what benefit there is to changing this.	8/11/2019 11:31 AM
8	No	8/9/2019 2:08 PM
9	no	8/9/2019 10:57 AM
10	Don't know	8/8/2019 9:19 PM
11	CGS does not only catch L&P businesses	8/8/2019 7:03 PM
12	No	8/8/2019 5:43 PM
13	Can't think of any.	8/8/2019 5:27 PM
14	No	8/8/2019 4:54 PM
15	no	8/8/2019 4:51 PM
16	Raising the limit would remove those smaller businesses who are never going to get caught but still in theory have to check.	8/8/2019 4:46 PM
17	More property and refurbishments would fall in the scope of cgs	8/8/2019 4:44 PM
18	No.	8/8/2019 4:40 PM

Q28 If the threshold for land and property is increased, do you think HMRC should consider having a different threshold for alterations, extensions, annexes and refurbishments, (i.e. retain the current threshold) or would it increase complexity?

Answered: 106 Skipped: 161



ANSWER CHOICES	RESPONSES	
Yes	23.58%	25
No	46.23%	49
Possibly	19.81%	21
Don't know	9.43%	10
TOTAL		106

#	COMMENTS	DATE
1	The CGS is complicated enough without introducing new categories of CGS item	8/27/2019 8:07 PM
2	This would increase complexity	8/20/2019 4:32 PM
3	Too complex!	8/19/2019 10:16 PM
4	Consistency of treatment should be maintained	8/16/2019 4:55 PM
5	To which question? You have asked two contradictory questions under the same heading	8/16/2019 4:08 PM
6	That would be more complicated and lead to boundary disputes: when is something new and when an alteration etc	8/16/2019 1:03 PM
7	Yes it would increase complexity. Different thresholds would generate more work to calculate small values	8/15/2019 4:51 PM
8	2 questions - only one answer! they should NOT apply different thresholds - the current rules are complicated enough for businesses at present.	8/15/2019 4:46 PM
9	Keep focus on simplicity	8/15/2019 1:02 PM
10	But does increase complexity...	8/14/2019 12:47 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

11	The amount of capital spent on refurbishments etc is normally significantly lower than the acquisition and these types of spend are normally shorter lived too, so maybe shouldn't be adjusted. An extension/annex should be part of the main CGS application.	8/14/2019 9:39 AM
12	(do NOT think HMRC should consider having a different threshold)	8/13/2019 6:36 PM
13	This would be too complex	8/13/2019 1:57 PM
14	Too complex	8/13/2019 11:55 AM
15	Yes, have a different threshold for different elements.	8/12/2019 2:01 PM
16	This could create issues if acquisition and construction are one threshold and then alterations and extensions are a different threshold. If the threshold is not the same it might be difficult to decide whether an alteration is actually part of it's construction cost if they occur close together. It also doesn't make sense that an extension to a building could potentially fall into the CGS but the construction of a new building of the same size for the same value doesn't fall under the scheme. For these reasons the thresholds should stay the same for both.	8/11/2019 11:31 AM
17	Would increase complexity and usually HMRC adds extra definitions of terms which are themselves unclear	8/10/2019 2:19 PM
18	There are already too many rules. Where any change is aimed at simplification, having multiple thresholds counteracts that aim.	8/10/2019 10:50 AM
19	Alterations etc can be as costly as the outright purchase, and the underlying principle of CGS is the same, so they should be on an equal footing.	8/9/2019 5:18 PM
20	It could lead to complexity. Provided one single threshold for alterations, extensions , annexes and refurbs and not separate thresholds for each of these will help keep complexity down. There is clearly a difference between the levels of expenditure on these vis a vis a building or land, to warrant two thresholds for CGS.	8/9/2019 2:12 PM
21	I think it would just increase complexity.	8/9/2019 2:08 PM
22	£250k is now the price of an average house. Far too low for the CGS - far too many relatively small buildings/projects now caught. Too onerous for small businesses. A needless trap.	8/9/2019 1:23 PM
23	Depends what the thresholds are. I'd say it's more about that than the complexity of having different thresholds, as anyone actually doing a CGS calculation is likely to be on top of the requirements.	8/9/2019 10:41 AM
24	You are asking two questions and looking for a single answer.... Could do better	8/9/2019 10:05 AM
25	Too complicated	8/9/2019 9:34 AM
26	of course it would increase the complexity.	8/8/2019 7:03 PM
27	Would make more complex	8/8/2019 6:59 PM
28	Bringing in an additional threshold for alterations etc will just add a new layer of complexity to the process - completely at odds with supposed attempts by HMRC/Treasury to simplify the tax system.	8/8/2019 6:49 PM
29	A distinction between construction works and renovations / conversions could be considered	8/8/2019 5:50 PM
30	Should be simplifying not complicating	8/8/2019 5:46 PM
31	Please don't over-complicate things. Every time something changes in tax, it seems to be made harder with more things to remember.	8/8/2019 5:27 PM
32	This would cause huge complications.	8/8/2019 5:06 PM
33	Please don't ask contradictory questions in one question!	8/8/2019 4:54 PM
34	It would increase complexity and uncertainty	8/8/2019 4:48 PM
35	No it would make it more difficult to administer	8/8/2019 4:48 PM
36	It would make it a little more complex but not much.	8/8/2019 4:46 PM
37	Keep it simple.	8/8/2019 4:40 PM

Q29 Are there other ways in which the CGS can be improved?

Answered: 34 Skipped: 233

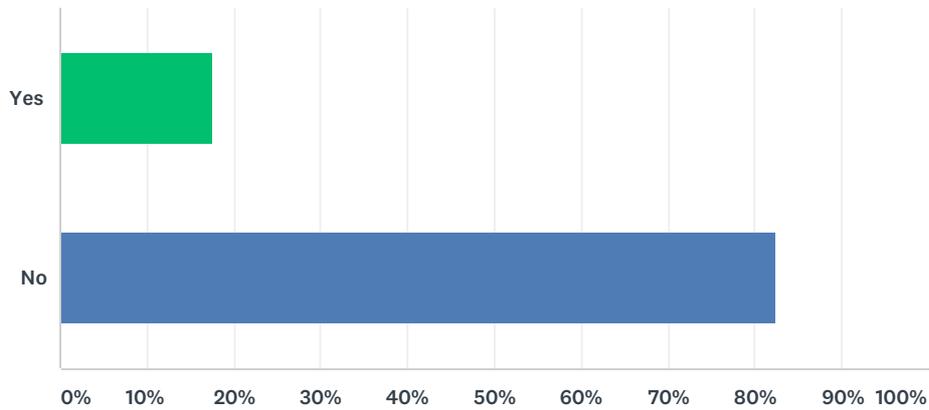
#	RESPONSES	DATE
1	There needs to be clearer guidance on what constitutes capital expenditure and how the calculations should be done in certain circumstances	8/27/2019 8:07 PM
2	Changes in use of less than say 1% or adjustments below a certain value can be ignored. (As per previous consultation)	8/25/2019 11:47 AM
3	No	8/16/2019 4:55 PM
4	Scrap it. The computer system adjustments are rarely relevant due to spend levels	8/15/2019 4:51 PM
5	just get rid of it - it takes so much time but with little oVAT	8/14/2019 4:35 PM
6	Longer period adjustments for certain assets?	8/14/2019 2:54 PM
7	No	8/13/2019 10:02 AM
8	Simplify the calculations required.	8/12/2019 2:01 PM
9	Simplification of establishing base years and recovery over the course of construction and partial use in the case of alterations/ refurbishment	8/10/2019 2:19 PM
10	It Ould be interesting to see the level of adjustments carried out for boats, aircraft etc and if, as I anticipate, these are low, simplify the CGS by removing them.	8/10/2019 2:04 PM
11	The CGS is based upon use. It's not necessarily on a par with whatever is agreed in the PESM as a fair representation of use, as capital costs are often differently utilised for standard opex. PESMs will often have a capital sector that simple says "use" in line with the CGS provisions in the VAT regs. There needs to be the same level of consideration given to approving CGS methods as for PESMs.	8/9/2019 5:18 PM
12	For me it is just the limit. As with the de minimis limit, if £250K was considered appropriate nearly 30 years ago and amounts below that did not cause a risk to the revenue then adjusting by inflation should not do so. It is rare for VAT recovery rates to fluctuate by more than 1-2% so you are frequently making adjustments of only circa £50	8/9/2019 2:08 PM
13	Simplify what is within the scheme. Increase the threshold. Provide an automatic calculator. Simplify the disposal tests.	8/9/2019 1:23 PM
14	Remove other assets from CGS	8/9/2019 12:16 PM
15	Maybe apply it more broadly, to all capitalised assets and/or expenditure above a certain value. In the name of accurate input tax recovery over time and simplicity, perhaps it would be both better and easier to apply the CGS to all (capital/high value) expenditure. Much less fiddling and arguably fairer.	8/9/2019 10:41 AM
16	It hasn't been increased for a number of years and is catching more and more businesses as costs increase	8/9/2019 9:54 AM
17	Don't know	8/8/2019 9:19 PM
18	You nee to find a way to remove it form a normal business who's PE percentage and use of a property change very little.	8/8/2019 7:03 PM
19	Use of it for items other than land/property is rare so remove the other items. Make it simpler to value CGS item, eg construction only and not prof costs	8/8/2019 6:59 PM
20	The method for calculating adjustments requires simplification - but no great idea of how to do this	8/8/2019 6:53 PM
21	It should be scrapped as it is a compliance burden and doesn't lead to material adjustments in the tax collected.	8/8/2019 6:22 PM
22	Introduce a de minimis so that the calculations don't need to be prepared for a given year if the taxable use exceeds a certain percentage, for example 95%	8/8/2019 5:53 PM
23	Greater tolerances in terms of change in taxable / exempt use (e.g. only a change of 5% or more would require an adjustment)	8/8/2019 5:50 PM
24	The wrong question has been asked! A better suggestion is concerning a reduction in the period for CGS	8/8/2019 5:48 PM

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25	As noted above it should be abolished	8/8/2019 5:46 PM
26	Mo	8/8/2019 5:43 PM
27	Keep it simple.	8/8/2019 5:27 PM
28	The CGS is particularly complicated where an asset is constructed over a period covering more than one VAT year. Although the guidance is quite good, it would be helpful if the rules could be clarified and maybe simplified on what is a capital item, what is the initial recovery, what is the adjustment period, and how the initial recovery in different years is adjusted and over what period based on first use of the asset.	8/8/2019 4:55 PM
29	link it to depreciation treatment for accounting purposes	8/8/2019 4:53 PM
30	no	8/8/2019 4:51 PM
31	Repeal the legislation	8/8/2019 4:48 PM
32	As ever, improve the level of knowledge.	8/8/2019 4:46 PM
33	Increase the CGS threshold significantly	8/8/2019 4:42 PM
34	Abolish it entirely	8/8/2019 4:37 PM

Q30 Do you have experience of computers being included in the CGS?

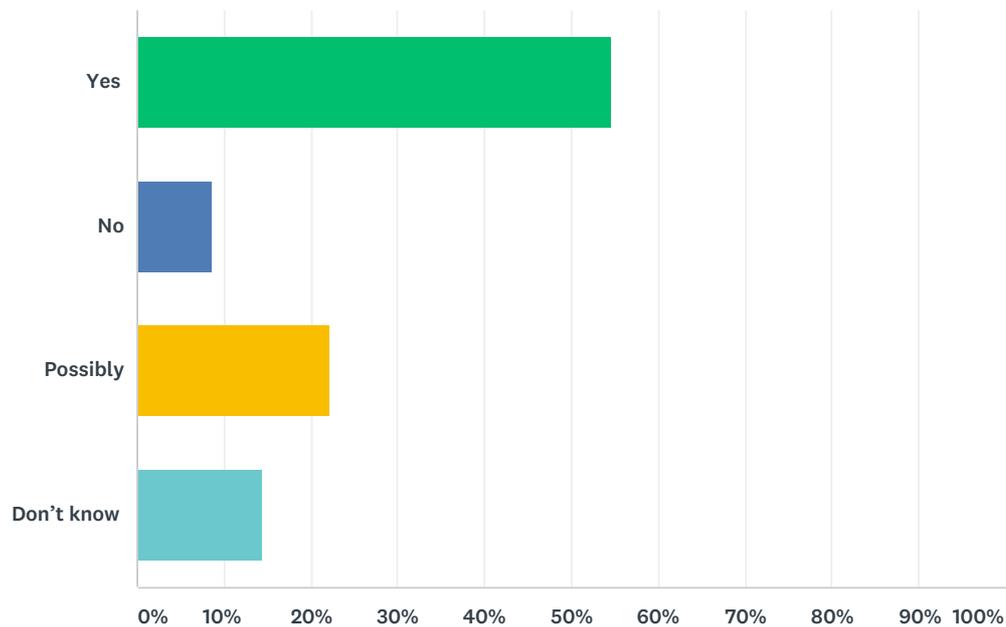
Answered: 119 Skipped: 148



ANSWER CHOICES	RESPONSES	
Yes	17.65%	21
No	82.35%	98
TOTAL		119

Q31 Would removing computers from the CGS be a simplification for business?

Answered: 117 Skipped: 150



ANSWER CHOICES	RESPONSES	
Yes	54.70%	64
No	8.55%	10
Possibly	22.22%	26
Don't know	14.53%	17
TOTAL		117

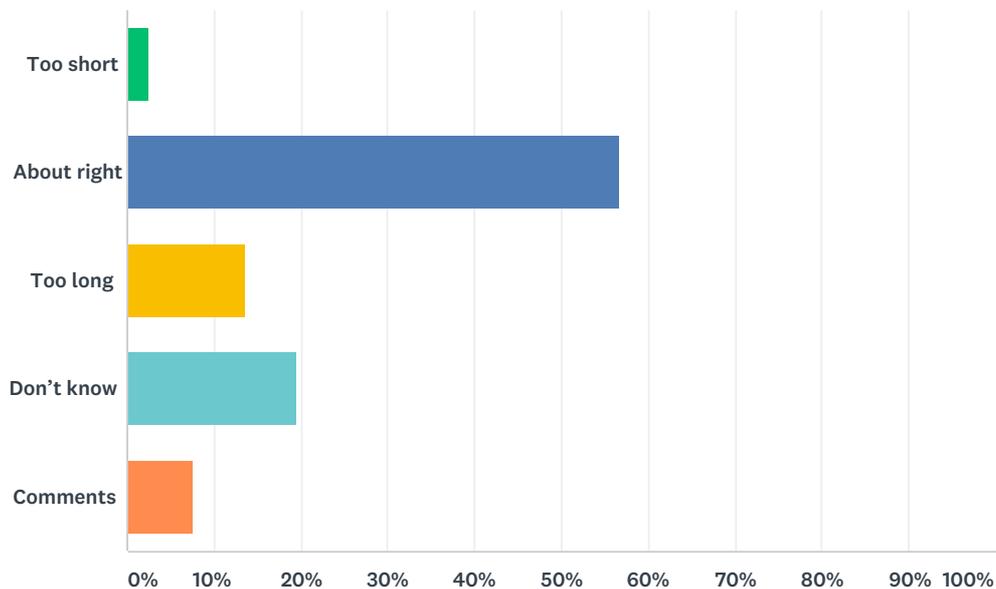
#	COMMENTS	DATE
1	The less that is included within the CGS the simpler it becomes	8/20/2019 4:33 PM
2	As it rarely applies removal would have little impact on small or medium business	8/19/2019 11:35 AM
3	My experience of this is extremely old. Unlikely that there would be many such cases today	8/16/2019 4:09 PM
4	Spend levels mean that the adjustments are rarely relevant but it is a lot of work to prove this	8/15/2019 4:52 PM
5	it is only the servers that would be CGS as it would be a pretty hefty computer! but we have to trawl through loads of invoices and their lines to find 3 servers a year!	8/14/2019 4:36 PM
6	It's unlikely to have much impact except to the largest partially exempt businesses such as insurance companies.	8/14/2019 2:56 PM
7	Given computers are much closer to a revenue cost now for most taxpayers...	8/14/2019 12:48 PM
8	Not sure any business separately identifies computers but at least it would remove the requirement to bother	8/14/2019 9:40 AM
9	From previous experience the greatest difficulty is collecting and maintaining the information for CGS purposes. I can understand the benefits of using it for land and buildings, but not computers; the definition excludes the majority of future spend given cloud technology and its often specific to a business activity. So in practice I suspect CGS for computer equipment is unworkable.	8/12/2019 1:30 PM

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10	As a medium sized business we only have one computer within the capital goods scheme. Most servers are made up of different purchases on different invoices that then fit together to create a server. There is no purchase of "a server" and so CGS rarely applies. Given the nature of exempt supplies, computers appear to me to be the only substantial asset that is likely used in making exempt supplies. But given the threshold of 50k is relatively low, any adjustments are minimal anyway so I would be in favor of removing computers from CGS completely.	8/11/2019 11:36 AM
11	Admin to establish and rarely needed in practice. Overall impact to Exchequer must be small	8/10/2019 2:21 PM
12	Who buys a computer for £50k nowadays?!	8/9/2019 5:18 PM
13	As rare that computers purchased over current threshold	8/9/2019 2:18 PM
14	In 30 years of specialising in VAT I have never come across a computer within the CGS	8/9/2019 2:09 PM
15	Maybe the CGS has not caught up in this area. With distributed processing, a "computer" that would have cost hundreds of thousands (and is vital to the long term operation of a business) is split across a number of smaller and cheaper units. Personally I think the CGS should apply to these, as per my previous answer.	8/9/2019 10:45 AM
16	There are so few businesses affected by it, in my experience, then those who do have them can afford to do the calculation	8/9/2019 10:06 AM
17	In 30 years I've never seen a computer included in CGS	8/9/2019 9:34 AM
18	There are now very few computers which will fall within the scheme, very few now acquire main frame computers. Furthermore, those that do often fall into the sectors with very little change in PE proportion over the 5 year lifetime in CGS	8/8/2019 7:05 PM
19	It's never used so no practical difference for business	8/8/2019 7:00 PM
20	This reg was designed when expensive mainframes were the business norm and it is now obsolete, and the amount of tax involved is insignificant	8/8/2019 6:54 PM
21	Very limited application of CGS to assets in this category. It would reduce workload in terms of reviewing equipment additions for CGS qualifying assets.	8/8/2019 6:50 PM
22	The definition of a 'computer' is also ambiguous at this level of spend	8/8/2019 5:51 PM
23	I can't imagine it affects that many given the current threshold.	8/8/2019 5:27 PM
24	This is redundant legislation.	8/8/2019 5:07 PM
25	Only ever seen computers in once, this was 25 years ago or more when main frames still existed. These days this is simply unnecessary. For banks and insurance companies the VAT is already covered by them being so heavily exempt.	8/8/2019 4:48 PM
26	Technically it would be a simplification as it would reduce legislation but in real life it would make no difference as no one uses it.	8/8/2019 4:43 PM
27	Complex computer equipment can easily cost more than £50k for a large corporate.	8/8/2019 4:38 PM

Q32 What do you think of the current Land and Property interval length?

Answered: 118 Skipped: 149

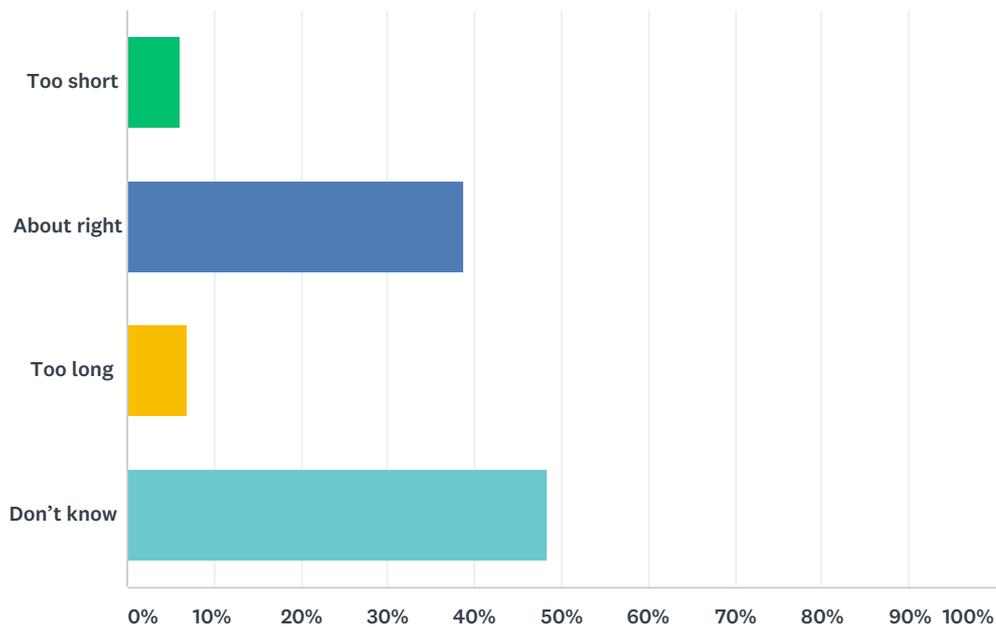


ANSWER CHOICES	RESPONSES
Too short	2.54% 3
About right	56.78% 67
Too long	13.56% 16
Don't know	19.49% 23
Comments	7.63% 9
TOTAL	118

#	COMMENTS	DATE
1	It depends on the asset - business do not look at 10 years for the economic life of a building but may refurbish every ten years.	8/14/2019 2:57 PM
2	Assets often sold over the period so issues with transfer information	8/13/2019 1:58 PM
3	It's about right as 10 years is sufficient time to discourage any abuse over-recovering in the early years. And there has to be a point where the taxpayer receives certainty as to their recovery position. Input tax is based on the principal of intention and you're not likely to know how you intend to use a building more than 10 years into the future.	8/11/2019 11:46 AM
4	Don't know. It could be longer, but seems to represent a reasonable balance.	8/9/2019 10:54 AM
5	Na	8/9/2019 5:31 AM
6	too long for example, refurbishments of office premises rarely last ten years	8/8/2019 7:07 PM
7	Its probably about right. The economic life of a building is always going to be an arbitrary figure, given that many buildings will last for decades or even more. But it would be unrealistic, costly and complicated if the intervals extended out to a point which was completely remote from the initial cost	8/8/2019 6:58 PM
8	Perhaps 25 years would be better	8/8/2019 5:47 PM
9	If it were any longer it could be difficult for a new owner to find out the original figures if the property has changed hands (sometimes more than once) during the adjustment period. It is already difficult with ten years but any shorter than that doesn't seem long enough for properties.	8/8/2019 4:45 PM

Q33 What do you think of the current aircraft, boats and other vessels and computers interval length?

Answered: 116 Skipped: 151

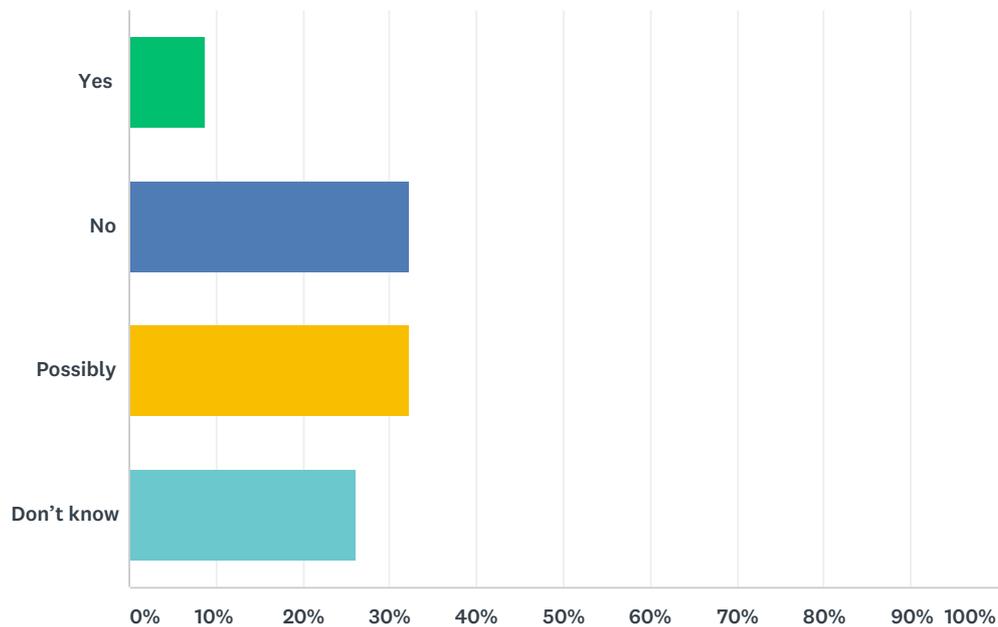


ANSWER CHOICES	RESPONSES	
Too short	6.03%	7
About right	38.79%	45
Too long	6.90%	8
Don't know	48.28%	56
TOTAL		116

#	COMMENTS	DATE
1	No experience	8/15/2019 1:03 PM
2	I'm sure planes, boats and other vessels have a much longer economic life than 5 years and may benefit from a longer adjustment period	8/14/2019 9:42 AM
3	Although I think I'm in favor of removing computers, I think the boats and aircraft CGS is an important anti-avoidance measure against private use. But with no experience I don't know the impact of changing the interval length	8/11/2019 11:46 AM
4	Could be a bit long, particularly for computers where 3 years may be more realistic. That said, if it isn't being applied to computers much in practice then it probably doesn't matter.	8/9/2019 10:54 AM
5	Rarely used	8/8/2019 7:02 PM
6	Not sure why computers are in the same pot as the others though. Computers seem to last about a year these days!	8/8/2019 5:28 PM
7	Aircraft and boats is too short. Computers should be removed from CGS.	8/8/2019 4:49 PM
8	Computers should be less time	8/8/2019 4:39 PM

Q34 Would a change in the number of intervals help businesses with their administration of VAT? Why?

Answered: 115 Skipped: 152



ANSWER CHOICES	RESPONSES	
Yes	8.70%	10
No	32.17%	37
Possibly	32.17%	37
Don't know	26.09%	30
TOTAL		115

#	COMMENTS	DATE
1	10 years too long	8/25/2019 11:48 AM
2	Assuming that computers remain in the CGS, a shorter interval will be easier to administer as there is a shorter period over which the use of the asset must be monitored	8/20/2019 4:35 PM
3	These days it's relatively common for staff to not be in a job for 10 years, shortening the period reduces the risk for errors.	8/19/2019 10:18 PM
4	Stupid question. If you are going to reduce the number of intervals then it will help businesses with their administration. If, on the other hand, you are going to increase the number of intervals then it must be detrimental to administration	8/16/2019 4:12 PM
5	Major challenge is determining whether an asset is in scope of CGS in first place or if there is a change in use, annual adjustments are generally straight forward and only impact of shortening the intervals would be to reduce period in which a change of use or disposal may need to be considered; but these may be quite unusual events anyway and so shortening the number of intervals would have a limited impact compared to increasing the limit from £250k or taking out computer equipment.	8/16/2019 11:35 AM
6	Annual is very simple	8/15/2019 1:03 PM
7	If they were aligned it might make CGS calculations easier/less complex	8/14/2019 9:42 AM
8	property investment TOGC's cause difficulties with CGS since obtaining details is not always so easy especially when there have been successive sales within 10 years	8/13/2019 6:41 PM

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9	The complications from having assets transition from one interval regime to another or having two buckets of assets old intervals/new intervals depending on date of expenditure would be horrible.	8/13/2019 11:56 AM
10	The difficulty running CGS is identifying assets that enter into it. Once they are input on the "CGS spreadsheet", actually performing the calculation is incredibly simple, especially given the legislation allows businesses 6 months after year end to complete the calculations (as an aside, why not give businesses the option of inputting these on their Q4 VAT return). The complications of CGS are identifying the exact cost of a newly constructed building or an alteration and then identifying if it falls under the CGS definition.	8/11/2019 11:46 AM
11	Reduce administration	8/10/2019 2:22 PM
12	While businesses need to calculate CGS for numerous intervals the only improvement would be reduce the number of intervals so that VAT calculations cease sooner. However I think 10 years is reasonable so do not think this should change.	8/10/2019 10:53 AM
13	ease record keeping burdens	8/9/2019 7:13 PM
14	In some cases, businesses will fall out of the regime quicker if they are not property rich. If you have lots of properties used in the business, whether 5 years, 10 years or more, you will always have to do CGS adjustments, the work should broadly be the same, you're just increasing/decreasing the annual impact by reducing/increasing the term.	8/9/2019 5:21 PM
15	It might alleviate the difficulty of locating documents relating to the acquisition of a CGS item circa 9-10 years ago, but 10 years does seem a sensible length of time	8/9/2019 2:11 PM
16	Because there might be less intervals to consider	8/9/2019 1:01 PM
17	If the CGS was a normal part of the VAT return process, and aligned to businesses' accounting systems, then it could represent less overhead than it does as an infrequent and irregular occurrence.	8/9/2019 10:54 AM
18	if it is shortened it would mean fewer calculations.	8/8/2019 7:07 PM
19	A lot changes over 10 years - staff, records can be destroyed etc. After 5 or so years it becomes difficult to monitor, especially after the fact	8/8/2019 7:02 PM
20	Not as a sole measure. The problem lies in the complexity of calculation, not the length of economic life	8/8/2019 6:58 PM
21	10 intervals is fair and is a sufficient length of time to discourage VAT planning to avoid change of use or CGS adjustments. Shortening the CGS period to 5 intervals may result in greater use of VAT planning and ultimately greater loss of revenue for HMRC (more so than any tinkering with de-minimis limits or retaining the £250k threshold would save)	8/8/2019 6:53 PM
22	Aircraft, boats and other vessels could be amended to four years, in line with the capping provisions	8/8/2019 5:52 PM
23	more visual on certainty of recovery - a reminder to check	8/8/2019 5:08 PM
24	Would depend on the businesses and whether they felt that the taxable use was likely to increase over time	8/8/2019 5:01 PM
25	reducing the intervals particularly for assets such as IT equipment which tend to become obsolete quite quickly would help although it would make more sense to remove them from the CGS.	8/8/2019 4:56 PM
26	Once you get past the initial interval they are almost all a year anyway and it just becomes part of the standard annual routine, or should.	8/8/2019 4:49 PM
27	Just a change of calculation, surely?	8/8/2019 4:37 PM

Q35 Do you have other suggestions to improve and simplify the application of the PE and CGS regime?

Answered: 28 Skipped: 239

#	RESPONSES	DATE
1	Some more guidance on the interaction of PE and the CGS would be welcome	8/27/2019 9:33 PM
2	No	8/16/2019 4:58 PM
3	Ensure that officers properly understand the law as it stands - both legislation and case law. At present it is apparent that the vast majority do not.	8/16/2019 4:13 PM
4	Have a recovery percentage de minimis below which the calculations don't need to be performed	8/15/2019 4:53 PM
5	Sorry, no	8/14/2019 12:47 PM
6	No	8/13/2019 12:05 PM
7	No	8/12/2019 2:02 PM
8	In theory MTD could automate much of the complexity (after initial likely disruption). I expect that HMRC could usefully conduct a further review in a couple of years to maximise the opportunities of MTD.	8/12/2019 1:35 PM
9	My main suggestion is clarifying the rules around attribution of input tax (see earlier).	8/11/2019 11:46 AM
10	The majority of small businesses do not understand either of them. Increasing the de minimis limits and reducing intervals would ease their pain!	8/9/2019 7:16 PM
11	On CGS, computers should be removed from the CGS. The guidance around land and building CGS items (including alterations, refurbishments, etc) should be simplified, e.g. remove uncertainty of which costs form part of a CGS item; simpler rules around refurb/alterations spread over a number of years.	8/9/2019 4:08 PM
12	Yes, the clawback/payback rules. When a clawback adjustment is due you automatically carry it out in accordance with the method in force but when the payback rules are in force you are supposed to approach HMRC. But all they can do is tell you to make the adjustment in accordance with the method in force at the time. There seems no reason for this given that annual adjustments and CGS adjustments are done automatically irrespective of whether they result in a payment or a repayment.	8/9/2019 2:14 PM
13	Industry standard blanket rates, i.e. corporate finance business can use blanket 25% overhead recovery rate as standard rate rather than adopting special method.	8/9/2019 12:18 PM
14	Perhaps, if it hasn't done it already, HMRC should look at the way it organises its people to deal with PEs and CGS. While there seem to be growing numbers of people looking at the theory of the methods, there are fewer people looking at the detail of the calculations submitted within and across sectors. This work could help to find similarities across activities, enabling HMRC to be proactive in PEs approvals. If it finds the "best" recovery method per industry/sector and seeks to apply these as broadly as possible, then the approval process should be smoother. The objective should be to remove cascading VAT costs, not increase them.	8/9/2019 11:04 AM
15	A clear set of rules rather than the current mixture of things which have been introduced as a result of cases or avoidance. Perhaps reflecting increased use of digital accounting?	8/9/2019 9:36 AM
16	No	8/8/2019 9:21 PM
17	No	8/8/2019 7:09 PM
18	HMRC staff consistency and understanding of sectors	8/8/2019 7:04 PM
19	Better training of HMRC staff	8/8/2019 5:50 PM
20	No	8/8/2019 5:48 PM
21	I think they are reasonably straightforward to manage. It would be easier in the PE method could be based on "just and reasonable" like business / non-business allocations, but the current method has the advantage of simplicity and certainty. It is very easy to set up accounting systems with bespoke tax codes to manage PE and CGS.	8/8/2019 5:29 PM
22	expand the option to tax to more of the exempt sector	8/8/2019 4:57 PM

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

23	no	8/8/2019 4:53 PM
24	Just improving the level of knowledge, inside and outside HMRC; I begin to feel like I'm speaking Ancient Greek when I start to explain PE or CGS, let alone both.	8/8/2019 4:50 PM
25	Have more worked examples in the guidance.	8/8/2019 4:46 PM
26	There should be an approach that takes fully taxable businesses out of PE where only incidental exempt income arises.	8/8/2019 4:44 PM
27	Keep it as straightforward as possible.	8/8/2019 4:41 PM
28	Get rid of exempt supplies then neither regime is required	8/8/2019 4:39 PM

Q36 Do you have any experience of the operation of PE and the CGS in other countries? How does the UK compare?

Answered: 26 Skipped: 241

#	RESPONSES	DATE
1	No	8/27/2019 9:33 PM
2	No. Not applicable	8/16/2019 4:58 PM
3	N/A	8/16/2019 4:13 PM
4	No	8/15/2019 4:53 PM
5	No	8/14/2019 12:47 PM
6	No	8/13/2019 12:05 PM
7	No	8/12/2019 2:02 PM
8	Nope.	8/11/2019 11:46 AM
9	No	8/9/2019 7:16 PM
10	No	8/9/2019 2:14 PM
11	No	8/9/2019 1:01 PM
12	No	8/9/2019 12:57 PM
13	No	8/9/2019 12:40 PM
14	Things are more complicated in the UK. Inconsistent too as it allows more flexibility, but then has a problem with it when it is used.	8/9/2019 11:04 AM
15	No	8/8/2019 9:21 PM
16	No	8/8/2019 7:09 PM
17	No	8/8/2019 7:04 PM
18	Greater flexibility in terms of method availability but this provides less certainty for taxpayers	8/8/2019 5:52 PM
19	No	8/8/2019 5:50 PM
20	HMRC is less prescriptive than most countries but slower in dealing with rulings and approvals.	8/8/2019 5:50 PM
21	No	8/8/2019 5:48 PM
22	No experience.	8/8/2019 5:29 PM
23	None	8/8/2019 5:02 PM
24	no	8/8/2019 4:53 PM
25	N/A	8/8/2019 4:50 PM
26	No.	8/8/2019 4:41 PM

Q37 Do you have any other comments?

Answered: 19 Skipped: 248

#	RESPONSES	DATE
1	No	8/27/2019 9:33 PM
2	No	8/16/2019 4:58 PM
3	No	8/16/2019 4:13 PM
4	No	8/15/2019 4:53 PM
5	I would welcome simplification in obtaining a PE special method. Otherwise, am pretty happy with current system.	8/15/2019 1:04 PM
6	No	8/14/2019 12:47 PM
7	The PESM used by mu business works very well for us	8/13/2019 12:05 PM
8	No	8/12/2019 2:02 PM
9	no	8/9/2019 2:14 PM
10	Exempt charities with turnover below audit threshold from VAT	8/9/2019 12:40 PM
11	HMRC have too much power in respect of PESM	8/9/2019 12:18 PM
12	No	8/8/2019 9:21 PM
13	In my experience even HMRC LB officers do not understand the CGS scheme, not even understanding that an asset used for wholly taxable purposes does not require CGS adjustments	8/8/2019 7:09 PM
14	No	8/8/2019 7:04 PM
15	No	8/8/2019 5:48 PM
16	No.	8/8/2019 5:29 PM
17	no	8/8/2019 4:53 PM
18	Think I've already made my feelings clear.	8/8/2019 4:50 PM
19	The biggest simplification possible would be to remove VAT exemption altogether so PE calculations are not necessary!	8/8/2019 4:46 PM

#268

COMPLETE

Collector: Web Link 2 (Web Link)
Started: Thursday, September 12, 2019 9:55:18 AM
Last Modified: Thursday, September 12, 2019 12:07:16 PM
Time Spent: 02:11:58
IP Address:

Page 1

Q1 Please indicate which professional body you are a member of:(select all that apply) **Chartered Institute of Taxation (CIOT)**

Page 2: Partial Exemption Special Methods (PESM)

Q2 Does your business use a PESH? **No**

Q3 Do any of your clients use a PESH? **Yes**

Q4 How would you rate your experience (on average) in getting the PESH approved? Please rate on a scale of 1 to 10 with 1 being extremely difficult and 10 being extremely easy. **4**

Q5 How long did the approval process take?Please estimate the average length if you deal with numerous applications, and add comments where appropriate.

>6 months <12 months ,

Comments:

The average is 6-12 months but up to two years is not unusual. We had one case of over two years where what was finally agreed was the method proposed at first. HMRC rejected more than one proposal even where the client was expecting less than 15% recovery. It often seems HMRC have a figure in their head for what they consider acceptable % recovery rather than approaching each client on a cases by case basis.

Q6 Do you find the administration involved with PESMs challenging?

Fairly,

Please provide an example: :

PESMs can quickly become out of date if a client does not monitor activity. For example property additions where a floor space method is used or reorganisations of the space. However some changes eg addition of a fully taxable company to a VAT group should not affect methods yet HMRC often take the opportunity to revisit the entire method. They often reject proposals without saying why and offer nothing by way of advice as to what they would accept. We have had cases where the letter issued by HMRC after the proposal is agreed does not reflect the proposal put in. The uncertainty as to what to do while waiting for approval is also a problem. In one case HMRC assessed for a penalty for the adjustment that was required due to the long time it took to get a method agreed. We then had to appeal the penalty.

Q7 Would allowing businesses to apply PESMs without seeking approval improve the system? Please give reasons for your answer.

Possibly,

Comments:

It may speed up the process of getting a method in place that is fairer than the standard method but I think most of our clients would be too concerned about future issues with HMRC to want to do this.

Q8 Would there be issues created by removing the requirement to seek approval of a PESH?

Yes,

Comments:

There would be uncertainty, as the assumption would be that HMRC would seek backdated tax where they later did not agree the method was fair and reasonable. Most of our clients want to ensure they will not be hit by VAT costs down the line.

Q9 Would an increased focus on the use of sectoral frameworks be of benefit, particularly if approvals were removed? (the words 'sectoral frameworks', set out in para 2.14 of the call for evidence document, refer to additional guidance with the basis for specific sectors to establish a method, potentially with the involvement of the sector's representative bodies, to provide consistency).

Yes,

Comments:

A framework of acceptable methods for particular sectors would be of assistance - eg like the ones Universities have. However there would need to be flexibility from HMRC- not a push to get all businesses in a sector to accept a single method.

Q10 Do you have other suggestions to improve or simplify the application of the PE regime?

HMRC visiting officers are often very poorly trained in this area. We have had officers openly admitting they know nothing about it. That leads to both sides making errors but it is only clients who suffer as they bear the brunt of back dated assessments when errors are found that previous officers missed. We often hear clients saying "but HMRC have visited us " when we find PE errors.

If you look at most cases on PE they are about allocation of costs and whether a cost has a link to a taxable supply. My client find this concept the most difficult. Below a certain level of cost it might be useful to allow some traders to treat all input tax as residual.

Q11 Do you have other suggestions on how the way in which HMRC interacts with partly exempt businesses could be improved?

It is not helpful to lump PE clients with Tax Avoidance, as in the TAPE team. This give the impression that all PE clients must be up to no good.

Page 3: Increasing the de minimis limit

Q12 What is your experience of carrying out the de minimis calculation? Please rate on a scale of 1 to 10 with 1 being extremely difficult and 10 being extremely easy.

5

Q13 What would the advantages of increasing the de minimis threshold be to business?(select all that apply)

Simplicity,
Time savings,
Increased VAT recovery,

Other (please specify):

We find that the number of clients who are PE has increased very much in the last decade because of the failure of the de minimis limit to keep up with inflation. That means very small businesses are caught and they lack the expertise to deal with it. For example very few understand that the £7200 includes the exempt proportion of residual VAT. Software for such clients often does not deal well with PE.

Q14 What would the disadvantages of increasing the de minimis threshold be to business?(select all that apply)

Reduced accuracy in recording input VAT ,

Bigger 'cliff edge' of not being de minimis ,

Other (please specify):

It would possibly lull some traders into not monitoring VAT on costs as closely as they might have done.

Q15 Are you aware of the existing de minimis simplification, and do you make use of it?

Yes aware but don't make use of it

Page 4: Removal of the de minimis limit

Q16 What would be the advantages of removing the de minimis threshold?(select all that apply)

Level playing field across all taxpayers

Increased accuracy in recording input VAT

Other (please specify):

This question needs to be framed into what are the advantages for the taxpayer vs advantages for the exchequer. There would be a level playing field and it would get all traders used to PE, but the disadvantage is increased costs- which of course is an advantage for Treasury.

Q17 What would be the disadvantages of removing the de minimis threshold?(select all that apply)

Reduced VAT recovery

Other (please specify):

Because many clients have to do a de minimis calculation to find out if they are de minimis I don't see there being much additional admin but there may be more clients who are assessed as they may not realise they were partly exempt. Many smaller businesses would take a hit.

Q18 Do you have other suggestions to improve or simplify the application of the de minimis regime?

Allowing an increased de minimis for VAT groups.

Q19 Do you have any suggestions on how to determine what can be considered as 'insignificant' that would be different to the current de minimis tests?

Using a turnover test might help smaller businesses and not cost the Exchequer too much

Page 5: CGS Thresholds

Q20 Does your business have assets within the CGS? **No**

Q21 Do any of your clients have assets within the CGS? **Yes**

Q22 If so, how easy is it (on average) to administer the CGS? Please rate on a scale of 1 to 10 with 1 being extremely difficult and 10 being extremely easy. **6**

Q23 How much time and resource do you allocate to carrying out CGS calculations? (either for your own businesses, or per client)

A significant amount ,

Comments:

Firstly the concept is difficult to explain to non VAT specialists. Secondly clients often overlook it. Calculating multiple adjustments over different periods for different Capital items becomes onerous once you have more than one or two.

Q24 Does this have an impact on your business? Please rate on a scale of 1 to 10 with 1 being a negligible amount and 10 being a disproportionately large amount.

4

Q25 What would be the advantages of increasing the threshold for land and property businesses?(select all that apply)

Simplicity ,

Time savings ,

Certainty of level of VAT recovery ,

No VAT adjustment if taxable use of assets below threshold decreases

,

Other (please specify):

The £250k limit is ridiculously small. Many small businesses /charities fall into this just by doing fairly minor refurbishing which really doesn't last the full 10 years. A lot of calculations result in little or no adjustment. Having said that if you only have one or two the calculations can be automated.

Q26 What would be the disadvantages of increasing the threshold for land and property businesses?(select all that apply)

Increased scope for abuse,

No VAT adjustment if taxable use of assets below threshold increases

Q27 Would there be any other issues involved with increasing the land and property threshold?

There would need to be consideration of the interaction with the anti avoidance legislation re the option to tax and also the notification issues when capital items are sold in TOGCs.

Q28 If the threshold for land and property is increased, do you think HMRC should consider having a different threshold for alterations, extensions, annexes and refurbishments, (i.e. retain the current threshold) or would it increase complexity?

Possibly ,

Comments:

This might create inequities. For example a comprehensive refurbishment might cost just as much as buying a newly refurbished building. If you add the distinction for alterations extension etc it would quickly become more complex that it is at present. It is possible that a shorter adjustment period for lesser works might be fairer.

Q29 Are there other ways in which the CGS can be improved?

The regulation (114 5A) that changes the adjustment period when a company goes into a VAT group /or TOGC cause problems with the resulting mismatch between the PE method tax year (which often remains unchanged) and the adjustment period. There is little understanding of what has to be done about this on HMRC's part and I think very few clients realise that this provision exists. Simplification of this aspect would be welcome.

Much clearer guidance on what expenditure is considered capital. For example many charities don't capitalise.

Page 6: Categories

Q30 Do you have experience of computers being included in the CGS?

No

Q31 Would removing computers from the CGS be a simplification for business?

Don't know ,

Comments:

I have not ever come across a client using CGS for computers.

Page 7: Intervals

Q32 What do you think of the current Land and Property interval length?

Comments:

10 years is probably about right, but I question whether that is right for some minor refurbishments which are currently caught. If a building is refurbished twice in overlapping periods can you really still be "using " the first one after the second one has happened. ?

Q33 What do you think of the current aircraft, boats and other vessels and computers interval length?

Don't know,

Comments:

Aircraft boats and other vessels tend to be outside of our area

Q34 Would a change in the number of intervals help businesses with their administration of VAT? Why?

Possibly,

Comments:

Once you have ascertained the value and the start date, administering the actual adjustments is fairly straightforward (unless there is a move to a VAT group - see above.) Shortening the number of intervals would presumably mean bigger individual adjustments and that might make it less fair but that is not an administration issue

Page 8: Other possible areas to review

CIOT/ATT member survey - Partial Exemption and the Capital Goods Scheme

Q35 Do you have other suggestions to improve and simplify the application of the PE and CGS regime?

Improving the level of knowledge in HMRC. Simplifying or at least re-numbering and reorganising the the VAT General Regulations which are now very complex due to the number of changes over the years.

There used to be a separate box for identifying the PE annual adjustment. Brining that back might make the awareness of PE much wider in the general trader population and also give HMRC an idea of whether the annual adjustment is being done. This is one of the things our clients often forget. MTD might make this tricky now of course

Q36 Do you have any experience of the operation of PE and the CGS in other countries? How does the UK compare?

No

Q37 Do you have any other comments?

No
