



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Angela Eagle MP  
House of Commons  
SW1A 0AA

*Dear Angela*

12 July 2010

**Powers contained in Finance Bill 2010**

In order to allow time to examine the secondary legislation under the Finance Bill 2010, I am providing information on each power being taken, all of which are in Schedule 2.

I am depositing a copy of this letter in the Library of the House.

Clause 3 provides for the standard rate of VAT to increase to 20 per cent on 4 January 2011. Schedule 2 prevents avoidance by introducing a supplementary charge to VAT of 2.5 per cent on certain supplies that span the date of the rate change. The powers taken within Schedule 2 are to ensure that the supplementary charge is correctly applied and that any unforeseen implementation of the charge can be prevented.

Paragraph 10 of the Schedule allows HM Treasury by order to add, modify or omit the relevant conditions specified in Part 1 of the Schedule and to make any other incidental or consequential amendments as may be necessary to ensure the proper application of the law or the regulations which are made under the enabling provision. There are no plans to make such an order at present.

Paragraph 15 of the Schedule allows HM Treasury by order to introduce further exceptions to the application of the supplementary charge where the Government believes it is incorrect to apply the charge. Such an order could apply to supplies that are treated as taking place on or after 22 June 2010, and may have effect in relation to a supplementary charge which has become due before the order is made. There are no plans to make such an order at present.

Paragraph 18(3) of the Schedule allows HM Treasury by order to vary paragraph 18(2) (description of "listed supplies"). There are no plans to make such an order at present.

Paragraph 22 of the Schedule allows HM Revenue & Customs to make regulations under paragraph 2A of Schedule 11 to the VAT Act 1994 (VATA). These regulations can specify what invoices for a supplementary charge under the Schedule should contain. The Government intends to use this power later this year and the draft regulations (The Value Added Tax (Amendment) (No. X) Regulations 2010) are attached.

The Value Added Tax (Amendment) (No. X) Regulations 2010 will also revise the rates and exit thresholds for the flat rate scheme (FRS) to reflect the VAT rate change so they are not out of line with VAT paid or claimed by those taxpayers who are not in the FRS. These amendments will be made under existing powers in section 26B of, and Schedule 11 to, VATA.

Yours ever  
David

David Gauke MP