

CROSS BORDER & ENVIRONMENTAL TAXES - VAT – FA25 CHANGES GUIDE

FA24 Ch	FA23 Ch	Topic	Major changes	Minor changes	No changes	Notes
1	1	How to use this Manual		✓		SI 2014/714 (providing a framework for lower courts to ask a question on EU law) has been revoked. The new government is intending to look at this issue again in the wider context of 'resetting relations with the EU'
2	2	Northern Ireland			✓	Note that the Windsor Framework continues to not be examinable in exams in 2026
3	3	General Principles			✓	
4	4	The EU VAT system		✓		<p>SI 2014/714 (providing a framework for lower courts to ask a question on EU law) has been revoked. The new government is intending to look at this issue again in the wider context of 'resetting relations with the EU'</p> <p>From 1 October 2024 part of the CJEU's jurisdiction to give preliminary rulings has been transferred to the General Court. VAT is one of the taxes that has been transferred</p>

5	5	Registration	✓		<p>A paragraph has been added on Private Schools and when they need to register</p> <p>T Shepherd 2025 FT case. Taxpayer did not register as he contended he was an agent on commission rather than a principal for his taxi business. Appeal allowed as HMRC's letter to the taxpayer did not explain how him being a principal had been arrived at</p> <p>Generally a person has one month to get their final VAT return in on time after de-registering. An SI gives HMRC the power to extend this time limit</p> <p>Impact Contracting Solutions Court of Appeal case 2025. HMRC does have the power to cancel a trader's VAT registration under Halifax abuse of law principles even if the trader themselves is not acting fraudulently</p> <p>Sammy Garden case 2025. FTI held that VAT had to be accounted for from the effective date of registration, not when the company learned of its VAT registration four months later</p> <p>Treasures of Brazil case 2024. FTI held that an email telling the taxpayer they should not charge VAT to their customers until their registration was confirmed took precedence over their general guidance in a Notice. The taxpayer had legitimate expectation to rely on it</p>
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6	6	Groups	✓			<p>Barclays case 2024. FTT disallowed the UK branch of a US company to join the VAT group as there was no FE in the UK but also held that an establishment outside the UK can be included and not refused under the protection of revenue grounds</p> <p>Prudential have appealed to the Supreme Court (supplies treated as made when the companies were not in the group so VAT was due on them was decision of CoA)</p> <p>BB 2 (2025) No longer use of VAT grouping in the care industry to artificially avoid VAT</p> <p>JP Morgan Chase Bank UT case 2025. Charge into a PE VAT group applied as the supply was a single composite taxable supply and not exempt financial services</p>
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7	7	Definition of supplies		✓		<p>Dyrektor Krajowej etc EU case. AG opinion that compensation to cover losses is not consideration. No direct link between service and consideration, subsidy not directly linked to price charged (post Brexit not binding)</p> <p>TPT EU case 2025. Advocate General opinion payments made by the losing party for legal fees is third party consideration (post Brexit not binding)</p> <p>Digital Charging Solutions (C-60/23) electric vehicle charging devices allowing access to a network of charging points was a supply of goods (Post Brexit not binding)</p> <p>More detail has been added on salary sacrifice schemes, the <i>Primback</i> case and HMRC guidance on benefits, with a link to their guidance and a summary of specific benefits</p>
8	8	Liability of the supply			✓	
9	9	Schedule 7A – reduced rate			✓	

10	10	Schedule 8 – zero-rating	✓		<p>Innovative Bites went to the Court of Appeal in 2025, and the case was remitted back to the FTT to decide whether the s'mores are a sweetened prepared food which is normally eaten with the fingers. We await their decision</p> <p>Walkers Snack Foods went to the UT in 2025. Sensation Poppadoms are SR crisps. Walkers appeal was dismissed</p> <p>Global by Nature case 2025. FTT agreed with the taxpayer that their 'sports drinks' were not sports drinks based on the amount of carbohydrates in them. They were zero rated</p> <p>Updating of the British Standard in order to continue the zero rating of qualifying caravans</p> <p>Mark Glenn 2024 case. FTT held that supplies to women of custom made wigs was not zero rated as the women were not suffering from a 'disability'</p> <p>Clatterbridge Pharmacy 2025 case. Drugs dispensed for 'personal use' are zero rated and this includes where a healthcare professional administers them</p>
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11	11	Schedule 9 - exemptions	✓			<p>WTGIL Court of Appeal 2025. Insurance intermediary providing and fitting driving-monitoring devices was making a single exempt supply for VAT purposes</p> <p>Performance Leads Ltd v HMRC 2025 case. Websites that introduced customers to financial advisers in return for a commission from the adviser was exempt financial intermediary services and not advertising</p> <p>CCLA Investment Management 2024 case. FTT held that fund management services provided to certain charity funds fell within the exemption for SIFs</p> <p>X C-639/22, Sticing BPL C-643/22 CJEU cases held that where the beneficiaries bear the investment risk can mean it benefits from the VAT exemption for SIFs (post Brexit - not binding)</p> <p>From 1 January 2025 the VAT exemption for private school fees has ended. All education and boarding services provided by a private school are standard rated. There are anti forestalling measures for pre-payments. SEND therapies and speech therapist supplies etc can be an exempt supply of healthcare (or a single supply of SR education)</p> <p>Rushby Dance and others FTT case 2025. Related cases. A single dance eg ballroom is not a subject ordinarily taught in school but a generalised course in dance</p> <p>St Patricks International College 2025 case. The UT held that supplies of education were not exempt. The institutions were not 'eligible bodies' and there was no breach of fiscal neutrality</p>
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		<p>Schedule 9 – exemptions (cont)</p>				<p>Anglia Ruskin Student Union 2025 case. Judicial Review. Food and drinks sold in a café was a 'bar' and was not within the education exemption</p> <p>Generic Maths FTT case 2025. Online maths course with no qualification was not examination services</p> <p>Solent Pathway Campus Ltd 2025 case where they were an eligible body. The five tests in SAE Education were used and even if it was not a college of a University it was within note 1 (f) with Teaching English as a Foreign Language (TEFL)</p> <p>Advanced Hair Technology Ltd FTT case 2025. Hair transplants for alopecia are not medical care</p> <p>Align Technology FTT case 2025 Invisalign orthodontic aligners are exempt dental prostheses</p> <p>Get a Drip FTT case 2025. Intravenous vitamin drips and injectable booster shots are medical care</p> <p>Yorkshire Agricultural Society 2025 case. The UT agreed with the FTT that the admission fees for its annual agricultural show were exempt. HMRC issued BB 3 (2025) detailing when the exemption applies in their opinion</p> <p>Ingliston Driving Experiences Ltd [2025] won their case (contrasting with The Young Driver Training in 2023), that a driving experience was akin to entry to an amusement park and did fall within the temporary reduced rate under Covid as 'admission'</p>
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12	12	Value of the supply		✓		<p>Rhtb:project GmbH v Parkring (C-622/23) case. CJEU held that payments made after termination of a contract were VAT-able under Vodafone principles. They were consideration for the customers right to benefit from the fulfilment of the contractual services, even if it no longer wished to receive them. The CJEU distinguished this from other cases eg where a forfeited deposit for a hotel room was not consideration for a supply. In this case there was an identifiable supply which had commenced. With a hotel room that is never used there is no such supply (Post Brexit – not binding)</p> <p>Boehringer Ingelheim 2024 case. FTI accepted that voluntary payments to the Department of Health & Social Care (DHSC) reduced the consideration already received from sales of medicines made to the NHS. HMRC's argument about a 'direct link' did not matter. The DHSC was in effect the NHS</p>
13	13	Time of supply		✓		<p>From 1 January 2025 all education and boarding school services provided by private schools are standard rated. Anti forestalling provisions to capture prepayments are included</p>

14	14	Input tax: when to recover	✓		<p>Advisory fuel rates from March 2025 are included</p> <p>HMRC has updated its guidance on recovery of VAT on pre-registration services</p> <p>HMRC has provided guidance for private schools on pre-registration expenses and how they can be recovered, with some illustrative examples</p> <p>In the Voestalpine Giessereie Linz 2024 C-475/23 case, the CJEU held that input tax could be deducted on goods provided free of charge to a subcontractor if those goods are necessary for the taxable person's own economic activity (post Brexit – not binding)</p> <p>BB 4 (2025) states that from 18 June 2025 employers providing a DB pension fund can deduct all the input VAT (previously it was that which related to the administration of the fund only and the trustees deducted that which related to the management of the investments). They are issuing guidance later in 2025 to explain the policy further</p> <p>Weatherford Atlas Grip SA (C-527/23). Romanian authorities refused deduction of input VAT incurred on intra-group services on the basis that they were not necessary or appropriate. CJEU said objective assessment should be made taking into account the actual use of the services and the reason for their purchase. If they were used for third parties then the direct and immediate link would be broken so that there would only be a VAT deduction on part of the expenditure</p> <p>Hotel la Tour is being appealed to the Supreme Court</p>
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15	n/a	Partial exemption	✓			Chapter added this year
16	15	Land & buildings: exemption & std-rating		✓		<p>Sarabande FTT case 2025. No supplies made to subsidiary but direct to artists so no exempt supply of a licence so input VAT allowed on refurbishment</p> <p>HMRC updated its guidance about NETPs and the DRC on construction services and who has to account for the VAT (no RC if UK customer is not VAT reg'd. NETP supplying a non-UK resident customer: if customer VAT reg'd = customer; if customer not VAT reg'd, then supplier or subbie has to register and account for VAT)</p> <p>New manual added on the DRC by HMRC</p>
17	16	Land & buildings: option to tax			✓	
18	17	Capital goods scheme	✓			<p>HMRC plans to increase the CGS limits - £600k buildings, and removal of computers from the scheme</p> <p>New section added about Private Schools and the impact of the CGS for recovering VAT on capital items purchased prior to VAT registration</p>
19	18	Second-hand goods margin scheme		✓		<p>Roscoe Noonan FTT case 2025. Do not have the required documentation for the second hand goods scheme and VAT will be due on turnover</p> <p>HMRC has removed some of its guidance and example of how the scheme works for Northern Ireland</p>

20	19	The flat-rate scheme		✓		HMRC guidance added that for a FRS trader in NI, acquisition VAT (EU purchases) cannot be recovered
21	20	VAT records & returns			✓	
22	21	Accounting for VAT			✓	
23	22	HMRC powers, appeals & assessments			✓	
24	23	Penalties for inaccuracies		✓		Nissi n Nissi Ltd v HMRC [2025] Being out of time to appeal a penalty means that if the assessment is upheld (this was appealed on time) then the penalties will automatically apply. Appealing against a penalty is a separate appeal
25	24	Penalties for failure to notify			✓	

26	25	Penalties for late returns	✓			<p>Default surcharge is no longer examinable – and late returns for MOSS have been removed</p> <p>Late penalty amounts under the new penalty regime have been increased from 2% to 3% (15-30 days late), from 2% to 3% for day 30, and 4% to 10% for day 31 onwards, from 1.4.25</p> <p>Sandra Krywald 2024 case. FTI agreed with the taxpayer there was a 'reasonable excuse' and in any event there would be 'special circumstances', so the penalty was reduced to nil. Although reliance on another party is not a reasonable excuse, the taxpayer did take reasonable care to avoid failures by the firm and then remedied them without unreasonable delay</p>
27	26	Other penalties, interest & migration		✓		<p>7% rate for late payment interest (down from 7.75%) Rate is on tax tables</p>
28	27	Refunds & interest		✓		<p>Hampshire Hospitals NHS 2024 case. The FTI could not hear the case as the taxpayer was out of time. HMRC maintain that VAT wrongly charged by a supplier cannot be recovered from HMRC and it is a commercial matter to sort between the parties. There is another case pending on the same point, to come before the tribunal</p> <p>Abbeyford Caravan Company 2024 case. FTI agreed with taxpayer that a reclaim could be made for a change in method for calculating output VAT on caravan contents. HMRC tried to argue it was not an 'error' but a choice of method</p>

29	n/a	Miscellaneous	✓			New chapter added this year
30	28	Imports		✓		Value of postal imports £900 (was £873) and values for forms CN22 (if under £270), and CN23 (if over £270)
31	29	Exports	✓			<p>Two sections are no longer in the syllabus and have been removed – The 'Personal Export Scheme' and the 'Retail Export Scheme'</p> <p>Procurement International Ltd 2024 case held that arranging the export of goods direct to overseas customers who benefited from a reward program, was zero rated, as a direct export, and not a supply to the UK businesses that operated the reward program</p> <p>Hatar Diskont Kft (C-427/23) [2025] AG's opinion that a fee charged by the seller of goods for processing the VAT free export documentation did not amount to a separate taxable supply of services. It was either additional consideration for the goods sold, or subject to the same VAT treatment as incidental to the main supply. (Post Brexit – not binding and CJEU decision not made yet)</p> <p>H Ripley UTT case [2025]. Export evidence provided by appellant was not enough to convince HMRC that the goods had been exported (even though the goods had been), so zero rating was denied. EU law not relied on</p>

32	30	EU Movement of Goods	✓		<p>ViDA changes are being implemented over time. From 1 July 2028 a simplified monthly reporting scheme is used to record a movement of own goods, and the OSS is extended to record a movement of own goods to other MS (so VAT registration in that recipient MS is not required). Council Directive 2025/516 makes changes over time (from 2025 to 2030) to the PVD (and 2025/517 covers administrative rules for ViDA eg a Central VIES system and digital links between MS and the central EU system by 2032). A “Mandatory” domestic reverse charge (DRC) for goods sold to EU registered business to avoid the need (eg) for UK company to register in that member state after a sale following a movement of own goods.</p> <p>Call off stock simplification gone from 1 July 2028 as the above system replaces the need for it. An illustration explains the changes</p> <p>Installed/assembled goods can be included on the OSS instead of a local VAT registration in that EU Member State</p> <p>Gas etc are deemed distance sales of goods under ViDA and will be reported on the OSS from 1 January 2027</p> <p>The 10,000 limit from 1 January 2027 will not include distance sales made by a business in a member state in which they are not established (eg not include stocks held in other member states)</p> <p>EC Sales lists will go once the new Digital Reporting system of the EU is live (July 2030)</p>
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33	31	Overseas businesses		✓		Two diagrams have been inserted to aid understanding of Online Marketplace (OMP) Rules
34	32	International aspects - services	✓			<p>No technical changes on the place of supply rules but the chapter has been moved around to aid understanding</p> <p>Hastings Insurance case in 2025. FTI allowed an appeal by the taxpayer where HMRC had denied VAT recovery for supplies covered by SI 2018/1328 (anti avoidance for routing transactions via an EU country). The SI was held incompatible with the PVD. There is a distinction under EU law between the <u>direct customer</u> of a supplier and the <u>ultimate end consumer</u></p> <p>ViDA was adopted on 11 March 2025 following re-consultation of the European Parliament and will be rolled out progressively. Council Directive 2025/516 is the main directive that makes changes to the PVD. A summary box shows the main changes being made and when they take effect</p>
35	33	Agency			✓	
36	34	Fiscal Warehousing			✓	

37	35	Tour operators margin scheme		✓		<p>Sonder went to the UT in 2024. Decision of FTT reversed. The leases were not supplies of travel services for the direct benefit of travellers, but long term property interests that Sonder modified, furnished and converted into short term holiday accommodation</p> <p>Bolt went to the UT in 2025. Agreed with FTT that the taxi services were within TOMS</p>
38	36	Missing trader intra-community fraud			✓	

CUSTOMS & EXCISE DUTIES & ENVIRONMENTAL TAXES – FA25 CHANGES GUIDE

FA25 Ch	FA24 Ch	Topic	Major changes	Minor changes	No changes	Notes
1	1	Introduction to Customs Duties	√			<p>The Windsor Framework continues to NOT be examinable in 2026.</p> <p>Certain safety and security data on an entry summary declaration is mandatory from 31 January 2025. SI 2025/20 contains the rules. There are mandatory fields, conditional fields and optional fields.</p> <p>The Single Trade Window service intended to be introduced in 2024 has been paused by HMRC.</p> <p>It Way Transgroup Clearance FTT case in 2024. The agent was acting as an indirect agent and jointly and severally liable for CD and IV.</p> <p>The Roseline Logistics FTT case in 2025. The import agent was jointly and severally liable for import VAT incorrectly postponed under PVA as it knew or ought to have reasonably known of the breach. Section 6(3) of the Cross Border Trade Act was discussed. It did not matter whether it had been authorised or not, as an agent.</p> <p>HMRC has issued guidance for importers on what to look for before instructing an agent.</p> <p>CDS is now mandatory for import declarations.</p> <p>Eight English Freeports all have designated Customs sites.</p>

1 (cont)		Introduction to Customs Duties (cont)				<p>Customs Public Notice 117 detailed how the competence criteria was to be fulfilled for AEOs but appears to have been withdrawn. AEOs under EU law provide for a mandatory consultation procedure. If a customs authority sends such a request to another authority they must reply within 80 days.</p> <p>CJEU passed on some of preliminary reference rulings role to the General Court - includes VAT, excise, UCC & classification.</p> <p>The WTO has 166 members.</p> <p>On 27 June 2025 the European Council adopted its negotiating mandate to start liaising with the European Parliament on the final text of the Regulation for the European Customs Authority and Customs Data Hub.</p> <p>Phase 1 of the EU Centralised Clearance project implemented during 2024 - available for some MS. Phase 2 was due in June 2025 - will not be fully available until Dec.</p> <p>The EU has introduced new and enhanced online services for NCTS, AES and PoUS.</p>
2	2	Northern Ireland		√		<p>The Windsor Framework replaced the UK Trader Scheme with the UK Internal Market Scheme from 30 September 2023 and this scheme continues to not be examinable</p> <p>The ICS2 is the new safety and security declaration system for movements into NI/EU</p> <p>The UK REX scheme is still not available, but importers can still use the Approved Exporter Status (C1454) online process</p>

3	3	Prohibitions, restrictions & penalties			√	
4	4	Types of Duties		√		HMRC will make back payments of ADD (for example) where a Trade Remedies Review reduces the duty on the goods (SI 2024/1265)
5	5	Preferences	√			An FTA was entered into between the EU and New Zealand in 2024 A new section has been written entitled 'Practical Planning Points' to aid understanding
6	6	Administration & appeals		√		HMRC has changed the three year time limit for claiming back duty on defective goods to one year. A link to their guidance has also been added HMRC has clarified that Import VAT repayments cannot be claimed via the C285/online CD system but must be adjusted by a reduction in box 1 of the VAT return HMRC has stated that it will send a 'Final Decision Letter' about unpaid duties before issuing the C18 demand Rates of interest have changed – they are on the tax tables
7	7	Classification	√			Regulation 2522 of 2024 contains the new EU Tariff for duty rates in 2025 A new section has been written entitled 'Practical Planning Points' to aid understanding

8	8	Valuation (1)	√			<p>Turkish Food Supplies FTT case in 2025 held that advance payments to a supplier to secure a better price on bottled water were made in anticipation of future imports of unspecified goods on unspecified dates and did not form part of the import VAT value</p> <p>A new section on 'Valuing 'Assists', 'Tooling' and Royalties etc has been written to aid understanding</p> <p>SI 2018/1248 wording has been amended with respect to royalties. The wording is now aligned with that under EU law (eg relates to the goods being valued and is a condition of sale)</p> <p>HMRC has published new guidance on Valuation and a link to this has been added</p> <p>A new section has been written entitled 'Practical Planning Points' to aid understanding</p>
9	9	Valuation (2)	√			<p>The law and HMRC's guidance on methods 2, 3 and 4 now say 'within a reasonable period of time' rather than the 90-day time limit</p> <p>Regulation 2024/1072 amends Regulation 2015/2446 and aligns the new rules on BVIs with those already in existence for BTI/BOIs. Regulation 2024/1071 amends Regulation 2015/2447 concerning an electronic process for BVIs. BVIs can be applied for from 1.12.27</p> <p>A new section has been written entitled 'Practical Planning Points' to aid understanding</p>

10	10	Inward Processing (IP)	√			<p>More detail added after HMRC guidance about how TORO works and who is responsible for bills of discharge and when the importer's responsibility ends</p> <p>HMRC was consulting to increase the number of times that a simplified authorisation could be used (currently a maximum three times in 12 months) and has increased it to 10 times in a twelve month period</p> <p>A new section has been written entitled 'Practical Planning Points' to aid understanding</p>
11	11	Customs Warehousing (CW)	√			<p>An illustration of the value of goods on release from the warehouse has been included to show what happens where there are multiple sales</p> <p>A link has been included to HMRC guidance on Usual forms of handling with more details provided</p> <p>A few paragraphs have been inserted on temporary removals from a customs warehouse and obtaining authorisation from HMRC</p> <p>A new section has been written entitled 'Practical Planning Points' to aid understanding</p>
12	12	Import Licensing			√	
13	13	Tariff Quotas			√	

14	14	Common Agricultural Policy (CAP)			√	
15	15	Outward Processing (OP)		√		<p>HMRC additional guidance on TORO added</p> <p>UK Simplified authorisation can be used for 10 times in a twelve month period</p>
16	16	End Use/Authorised Use	√			<p>Reference to the latest Tariff Suspension Document has been added (version 2.8 27.3.25)</p> <p>DHL lost its UT 2025 case for a retroactive End Use authorisation (£3m duty bill). The previous authorisation was under the CCC and not the UCC so could not be a renewal. There were no exceptional circumstances and HMRC had not treated the operator any differently to others</p> <p>UK Simplified authorisation can be used for 10 times in a twelve month period</p> <p>HMRC additional guidance on TORO added</p> <p>Links to the web where HMRC guidance is for goods which qualify for End/Authorised Use</p>
17	17	Returned Good Relief (RGR)		√		<p>CJEU case of AA C-125/24, in 2025 (post Brexit) stating that non-compliance with customs duty rules does not automatically preclude a VAT exemption from applying</p>

18	18	Temporary Admission (TA)		√		<p>HMRC has increased the timescale for some items from 24 months to 48 months. HMRC has issued updated guidance and a link to its guidance has been added</p> <p>HMRC additional guidance on TORO added</p> <p>A few paragraphs have been added on 'Practical Planning Points' to aid understanding</p>
19	19	International administration & the WCO			√	
20	20	Other reliefs		√		The £135 low value import limit is being reviewed in 2025
21	21	Exports & dispatches to other Member States			√	
22	22	Introduction to Excise Duties			√	

23	23	Alcohol Duties	√			<p>New rates from February 2025 - see the Tax Tables</p> <p>Gourmet Classic 2025 FTT case. Cooking oils to which salt and seasoning have been added to make them unsuitable for consumption as a beverage are eligible for relief from alcohol duty. HMRC has issued BB 5 (2025) to explain their policy on when the duty can be reclaimed</p> <p>The section on 'Manufacture of Alcoholic Products' has been re-written due to the new APPA (Alcoholic Products Producer Approval) which replaces the various old regimes that existed for different types of alcoholic products. Reference to Customs's guidance on the web is given. The 'Records and Accounts' section has been subsumed into the new section on APPA</p> <p>Duty Stamping of high strength alcoholic products has been abolished from 1 May 2025. Records still need to be kept for three years for those stamped prior to this date</p>
24	24	Tobacco Products		√		<p>New rates of duty - see the Tax Tables. Vaping liquid to have duty on it from 1 October 2026 - £2.20 per 10ml</p>

25	25	Landfill Tax (1)		√		<p>New rates of tax (£126.15/£4.05) included - see the Tax Tables</p> <p>The government wants one single rate of LFT by 2030</p> <p>The government wants to remove the qualifying fines regime in 2027</p> <p>Singleton Birch UT case in 2025 held that the waste did not fall in the QMO (Qualifying Material Order) as it was not entirely calcium based reaction wastes but contained a large proportion of non-reactive material in the air pollution control residues</p>
26	26	Landfill Tax (2)		√		<p>A diagram summary of Landfill Tax has been included to aid understanding</p>
27	27	Aggregates Levy		√		<p>New rate £2.08 - see the Tax Tables</p> <p>Two diagram summaries of Aggregates Levy have been included to aid understanding</p>
28	28	Climate Change Levy		√		<p>The government is consulting on removing CCL on electricity used in electrolysis to produce hydrogen</p> <p>The CHPQA is now carried out on behalf of the DESNZ (Department for Energy Security and Net Zero)</p> <p>A diagram summary of CCL has been included to aid understanding</p>

29	29	Plastic Packaging Tax		√		Rate of tax is now £223.69 - see the Tax Tables A diagram summary of PPT has been included to aid understanding
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