

## VAT ON UK DOMESTIC TRANSACTIONS – FA25 CHANGES GUIDE

FA24 Ch	FA23 Ch	Topic	Major changes	Minor changes	No changes	Notes
1	1	General Principles			✓	
2	2	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SI 2014/714 (providing a framework for lower courts to ask a question on EU law) has been revoked.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>

3	3	Registration	✓		<p>A paragraph has been added on Private Schools and when they need to register</p> <p>T Shepherd 2025 FTI 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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4	4	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>
5	5	Liability of the supply			✓	
6	6	Schedule 7A – reduced rate			✓	

7	7	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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8	8	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, Sticking 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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8	8	Schedule 9 – exemptions (cont)	✓		<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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9	9	Deemed supplies & self-supply			✓	
10	10	Value of the supply		✓		<p>Rhtb;project GmbH v Parking (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. FTJ accepted that voluntary payments to the Department of Health &amp; 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>
11	11	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>

12	12	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 Voest Alpine 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>
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12	12	Input tax: when to recover (cont)	✓			<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>
13	13	Partial exemption	✓			<p>A paragraph has been added on PE and Private Schools and an example of apportioning VAT recovery once they become registered and Partially Exempt</p> <p>HMRC's manual has been updated on Partial Exemption with respect to case law</p> <p>Hippodrome casinos in 2024 saw a loss for the taxpayer on a floor based special method. The appeal is going to the Court of Appeal in June 2025. A method should only override the standard method if it guarantees a more precise determination of deductible input tax</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>

14	14	VAT records & returns			✓	
15	15	Accounting for VAT			✓	
16	16	Bad debt relief		✓		Form VAT427 is used for bad debt relief claims following deregistration
17	17	HMRC powers, appeals & assessments			✓	
18	18	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
19	19	Penalties for failure to notify			✓	

20	20	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>
21	21	Other penalties, interest & migration		✓		<p>7% rate for late payment interest (down from 7.75%) Rate is on tax tables</p>
22	22	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>

23	23	Land & buildings: zero & reduced-rating	✓			<p>Kenthouse Properties case 2024. FTI held that an intention to make taxable supplies, in order to recover input VAT must be clear</p> <p>NHS Ayrshire &amp; Arran Health Board FTI case 2025. A newly constructed bedroom wing for a mental hospital was not an RRP but part of the main hospital and SR</p> <p>BB 3 (2024) concerns cladding remedial work and when it is 'snagging' and can be zero rated as part of the new build</p> <p>Gregory Sewell (DIY scheme)case 2024. FTI held that telephone advice from HMRC which was wrong could not be relied on by the taxpayer</p> <p>C Poulton FTI case 2025. No strike out of appeal. Appellant is claiming VAT back from HMRC under <i>Reemstma</i> principle as cannot get it back from suppliers (DIY scheme). Appeal yet to be heard</p>
24	24	Land & buildings: exemption & std-rating		✓		<p>Sarabande FTI 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>

25	25	Land & buildings: option to tax			✓	
26	26	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>
27	27	Transfer of a business as a going concern			✓	
28	28	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>

29	29	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>
30	30	The flat-rate scheme		✓		<p>HMRC guidance added that for a FRS trader in NI, acquisition VAT (EU purchases) cannot be recovered</p>
31	31	Agency		✓		<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>
32	32	Retail & promotion schemes		✓		<p>Go City 2024 case. FTT held London passes were MPVs and outside the scope of VAT. They combined transport and entry into London attractions</p>
33	33	Farmers' flat-rate scheme		✓		<p>Removal of £3,000 rule</p>

34	34	Miscellaneous	✓			<p>Colchester Institute (no2) went to the UT in 2024 which agreed with the FTT that government funding agency grants were consideration for an exempt supply of further education</p> <p>HMRC guidance on s33 refunds to LAs. £7,500 limit per annum (used to say £625 p/m on average)</p> <p>Private schools' changes above mentioned here</p> <p>R (oao Midlands Partnership University NHS Foundation trust) 2024 UT. Supplies of services was an economic activity (VAT on supplies, recovery PE). If it had have been under the COSD there would be no VAT on the supplies as it would be non-business with full recovery</p> <p>Some summary diagrams have been added to aid understanding in this area</p>
35	35	IPT 1		✓		<p>North of England P&amp;I Association CJEU case (C-786/19). Post Brexit so not binding. Member States may levy IPT on a seagoing vessel according to the Member State where it is registered in the ownership register</p>
36	36	IPT 2			✓	
37	37	IPT 3			✓	
38	38	IPT 4		✓		<p>Interest rate changes for underpayments and overpayments is on the tax tables</p>
39	39	Stamp duty on shares			✓	

40	40	Stamp duty land tax	✓		<p>Goldsmith FTT case 2024. When has 'substantial performance' taken place. Being allowed to access the property between exchange and completion to carry out decorative works but handing back the keys at the end of the day is not 'substantial performance'</p> <p>Additional dwelling rate is 5% (3% prior to 1.4.25)</p> <p>Higher rate for enveloping dwellings is 17% (15% prior to 1.4.25)</p> <p>Bands have changed for residential properties.</p> <p>First time buyer rates/bands have changed (0% on first £300k – max £500k purchase)</p> <p>All new rates/bands for residential properties are on the tax tables</p> <p>A new part has been written on specific issues concerning 'Bed and Breakfast' properties and whether they are residential or non-residential and the relief in para 5B</p> <p>MDR has been removed from the syllabus</p>
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41	41	SDLT – administration	✓			<p>Two new parts on 'claims for overpaid tax' and 'refunds of overpaid tax' have been written. BTR Core Fund had a mistake in the calculation of a relief. The FTI denied the claim. Para 34A says a HMRC is not liable to repay tax where there is a 'mistake' in a claim. The taxpayer tried to argue that it was not a mistake in a claim but a calculation error. The tribunal agreed with HMRC</p> <p>The Wool House FTI case in 2024 concerned HMRC's policy of provisionally paying a refund to a taxpayer and then processing the claim (and recovering tax if not due). A closure notice was issued to recover the overpaid tax. The legislation says an assessment should be issued within 30 days of the closure notice. The tribunal agreed with HMRC that notification via a closure notice was in effect the raising of an assessment and was valid</p> <p>The Giovanni Scatola case in 2025 concerned whether an enquiry into a single SDLT return also included another one to which the first one related. The UT held that a reasonable taxpayer would know that both returns were being enquired into</p>
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