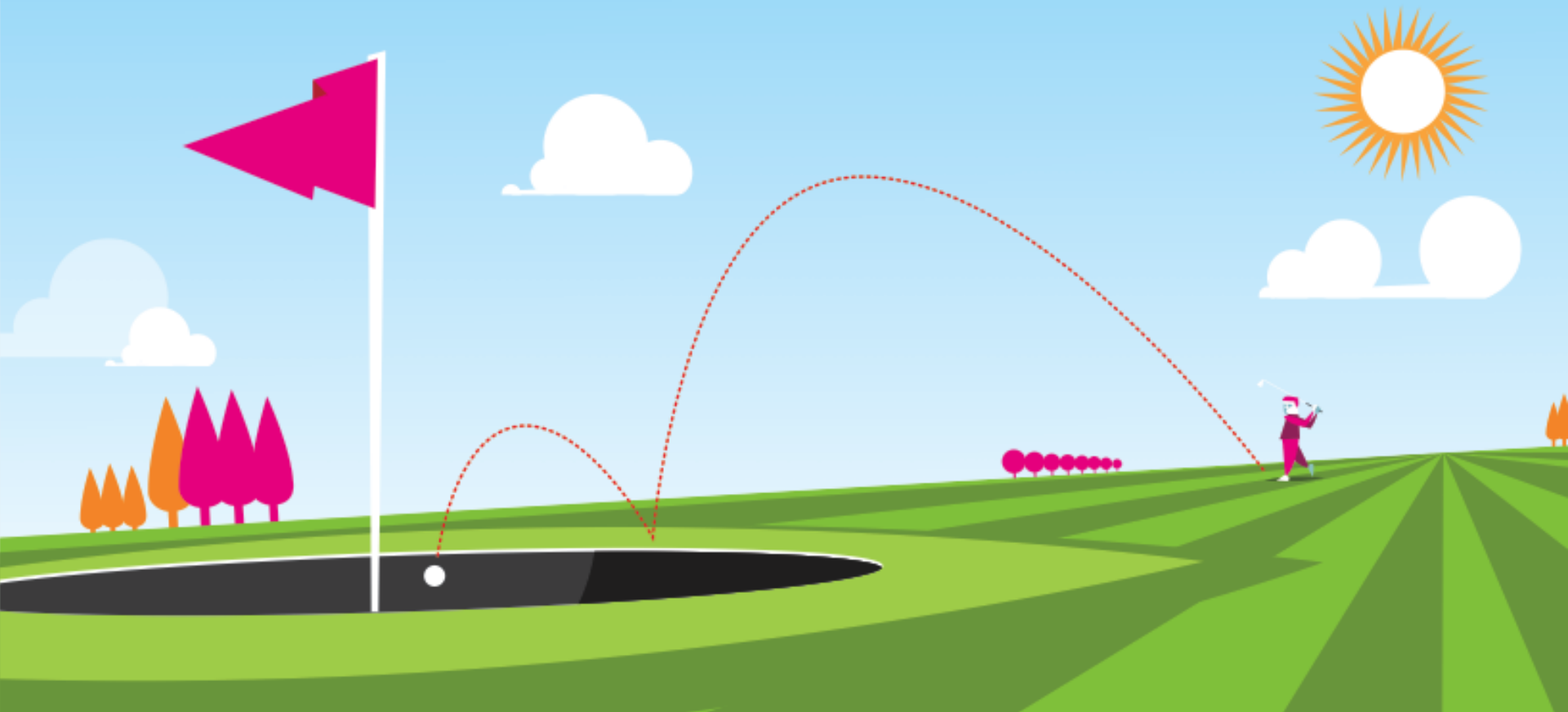


# Welcome



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# VAT for Financial Services Organisations

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OMNIS

# VAT & Financial Services

- Contents
  - Scope of the Exemption (finance & insurance)
  - Intermediary Services
  - Differentiating intermediary services from advisory services
  - VAT compliance/planning

- Financial Services
  - Gp 5, Sch 9, VATA 1994
- Insurance Services
  - Gp 2, Sch 9, VATA 1994

- Item 5, Gp 5, Sch9, VATA 1994 exempts
  - *The provision of intermediary services in relation to any [finance] transaction (whether or not any such transaction is finally concluded) by a person acting in an intermediary capacity*
- What are intermediary services?
- What is acting in an intermediary capacity?

- consists of ‘bringing together’, with a view to the provision of financial services
  - persons seeking to receive financial services; and
  - persons who provide financial services; and in certain cases
  - the performance of works preparatory to the conclusion of contracts for those financial services
- \* excludes ancillary services such as market research and advertising
- ‘financial services’ are those services listed within the finance exemption
  - e.g. supplies of credit, issue of stocks and shares, handling of money, management of bank accounts and investment funds etc.

- Similarly, Gp 2, Sch 9 exempts
  - *The provision by an insurance broker or insurance agent of any of the services of an insurance intermediary in a case in which those services—*
    - a) *are related (whether or not [a contract of insurance]<sup>2</sup> [or reinsurance]<sup>3</sup> is finally concluded) to [an insurance transaction or a reinsurance transaction]<sup>3</sup>; and*
    - b) *are provided by that broker or agent in the course of his acting in an intermediary capacity.*

- Principal income sources
  - exempt intermediary services (finding a suitable investment or insurance product) for customer; or
  - advice
- Funding of service
  - directly from customer
  - commission from product provider
- Who is supplying whom and with what service
  - Intermediary and customer
  - Intermediary and provider

- Intermediary Services – exempt
- Advisory – standard rated
- How are charges itemised on invoices?
  - does advice result in a customer taking out a financial product
- Composite and multiple supplies
  - Card Protection Plan
  - does ‘ancillary’ supply allow one to ‘better enjoy the principal supply?’
  - is ancillary supply ‘an aim in itself?’
- Third party payments?

- Post RDR – emphasis on transparency
- Trail Commissions previously seen as ‘further consideration’ for an exempt supply of intermediary services
- Guidance due from HMRC & FSA re VAT accounting
- VAT rules unchanged
  - Intermediary services = exempt
  - Advisory services = taxable
- Clear charging policy – income received has to be rationalised
- More difficult to argue that income is further ‘exempt’ consideration

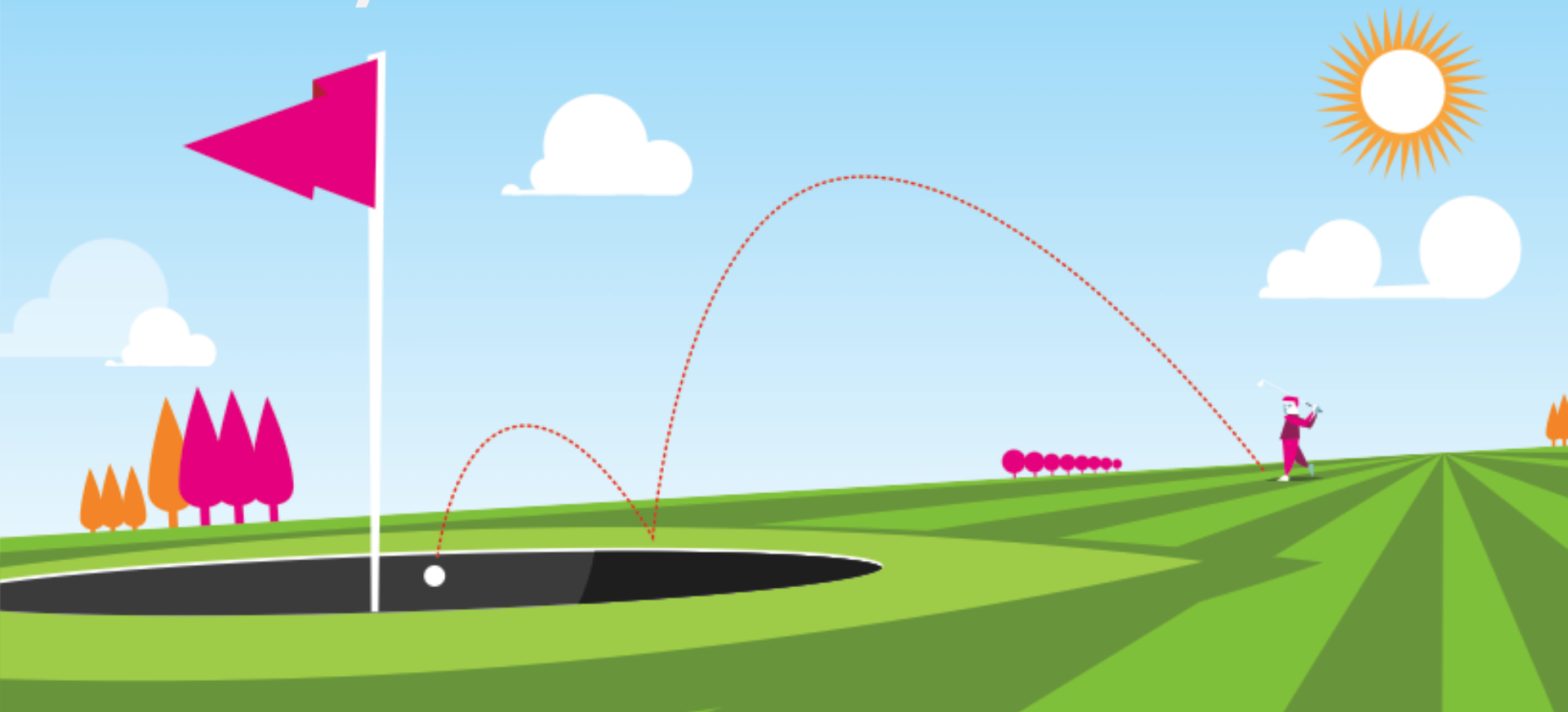
- Basic premise
- Standard method – outputs based
- Special methods
  - transaction count
  - floorspace
  - staff numbers

- Announced in March and June budgets 2010
- Provided for in EU law
  - already in place in some EU member states
- Cost Sharing Groups (exempt or non-business entities)
  - HR
  - IT
  - Staff
- No profit
- HMRC Consultation announced (introduction 2012?)
- Can be adopted now under EU law

- Supplies within a VAT group ignored mitigating input tax
- Conditions for setting up a VAT group
  - UK established
  - Corporate bodies
  - Control conditions
  - Not already a member of another VAT group

- Services of IFAs and Insurance Agents
  - Exempt
  - Standard rated
  - Mixture of the two
- Good practice
  - seek exemption wherever possible
  - maximise VAT recovery where exemption not available

# Thank you



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