



10 DOWNING STREET

From the Private Secretary

5 August 1985

LATE PAYMENT OF VAT

The Prime Minister has seen the attached advertisement by Customs and Excise. She has commented that the notice is calculated to present the VAT man as hostile and oppressive to small businesses. Her understanding of the changes made to the law following the Keith Report was that in return for tougher penalties for late payment of VAT, a number of changes would be introduced to safeguard the position of the taxpayer, e.g. the substitution of civil remedies for criminal penalties; and an escape clause which provided that the trader will not be liable to the surcharge where he has shown due diligence in submitting his return or has a reasonable excuse.

She hopes that in future a more balanced picture can be presented, both for VAT and when the Inland Revenue tasks are tackled next year.

(Andrew Turnbull)

Tony Kuczys, Esq.,
H.M. Treasury.

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PRIME MINISTER

LATE PAYMENT OF VAT

My understanding of the Keith process was that in return for agreement on tougher penalties for late payment of VAT (arrears exceed £1½b) a number of changes would be introduced to safeguard the position of the taxpayer:

- civil remedies would be substituted for criminal penalties;
- an escape clause which provides ^{that} for the trader will not be liable to the surcharge where he has shown due diligence in submitting his return or has a reasonable excuse.

The trick in securing public acceptance is to present both sides of the coin. The attached notice issued by Customs and Excise presents only the negative side. Agree Treasury Ministers be asked to take more care in presenting the VAT man as a responsible official rather than an arbitrary tyrant.?

AT

Yes
= very much so - the
advice is awful
rob.

Andrew Turnbull
2 August 1985

BEMAVR

...ability to manage the country's economy. However, some economists think that controls could be used to stimulate the economy and direct funds which would otherwise be trapped towards projects which would reduce unemployment among blacks, a factor in the unrest. The wide powers the Government assumed under the state emergency appear to be failing to end turmoil within the country.

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shuffle

...y and Jersey, "backed by the resources of BAIL." Staff of the Channel Islands operations "may well all go and we may have to re-staff," he said.

Mr Alan Corbin, who heads operations in the Channel Islands, and the staff, are to join the operations of James Opel in the same area, probably in September.

In the City yesterday it was suggested that Mr McGivern, who is in his late 20s, was receiving a six-figure "golden hello," or transfer fee, for signing with the Barclays securities operations.

Barclays Bank has been considering taking legal steps against defectors from Wedd and Larcher Mordaunt. Eight other people have departed in the past few weeks to join the securities operations of Kleinwort Benson, the merchant bank. They include two members of Wedd's nine-man management team. Barclays is expected to clarify its attitude to the defections when it announces its results today.

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companies could be "disloyal to their workers by burdening them with costs they can't carry."

He said that the future of BL did "not necessarily" lie in becoming part of a Japanese multi-national. Flexible manufacturing systems had lowered production costs for smaller car companies. "Therefore you can have companies such as BL

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...all the new regulations, which affected about 85,000 people, and rethink its position. In addition to the rules on period of lodgings, they also imposed reductions in the amounts people under 25 could claim for meals and rent. That part of the regulations still stands.

Last night, Mr Tony Newton, Social Security Minister, confirmed that all existing regulations apart from those referred to in the judgment would continue to apply.

...appeared repeatedly in High Court actions brought by local authorities against pieces of local government legislation, although only Mr Heseltine has had a judgment entered against him as Environment Secretary. Mr Jenkin lost a case in 1980 when he had Mr Fowler's present job: he was held to have acted unlawfully when he threw out a south London health authority and installed commissioners in a row over cash limits.

VAT CHANGES

From 25th July 1985 there are important changes.

VAT RECORDS

VAT records and accounts must be kept for six years not three. This change applies to records of all transactions since August 1982.

If you fail to keep and produce VAT records you will now incur financial penalties.

REGISTERING FOR VAT

If you fail to apply for registration at the proper time you will be liable to a financial penalty. The registration turnover limits are currently £19,500 a year or £6,500 in any one quarter. Details of the registration requirements, including the time limits for applying, are explained in the leaflet Should I be registered for VAT?—available from local VAT offices.

OTHER CHANGES

Other important changes affect:

- assessments
- appeals to VAT tribunals
- financial penalties for all VAT offences
- investigation of serious fraud.

FURTHER INFORMATION

Details of these changes are in a leaflet VAT: Important changes. Copies of this leaflet will be sent to all VAT registered businesses with their next VAT return. The leaflet is also available, with help if you need it, from local VAT offices. Addresses are in the phone book under "Customs and Excise."



ISSUED BY HM CUSTOMS AND EXCISE

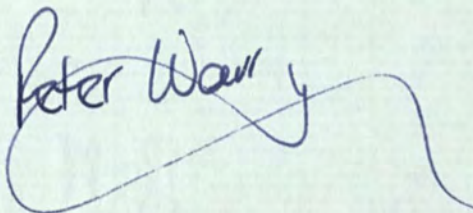
NDPM
AT 2/8

MR TURNBULL

1 August 1985

VAT

Attached is a photocopy of an advert on the front page of today's Financial Times. If this is the way the Customs and Excise sell the caring face of the VAT-man, it is no wonder that he is unpopular.



PETER WARRY