

Penalties issued for DIY housebuilder claims

Indirect Tax

01 July 2016

ATT continuing to review penalties issued to DIY housebuilders on VAT refund claims.

For a few years, ATT's VAT sub-group have been expressing concern over when penalties might arise if HMRC concludes that a claim made for a VAT refund under the DIY housebuilders' scheme was invalid. HMRC appeared to have adopted a policy of assuming that any claim that fell to be rejected (for whatever reason) required penalties to be considered. This seemed to ignore the fact that the claimants would necessarily be in unfamiliar territory and were submitting the claims on the basis that HMRC would subject them to scrutiny.

When representatives from the VAT sub-group met HMRC last year to discuss the issue, the department acknowledged our concerns (the decision in the *Palau* [TC4251] had already been published) and indicated that changes in approach were being considered. Two subsequent tribunal decisions (*Howells* [TC04589] and *Coates* [TC04628]) have reinforced the need for that reconsideration but HMRC has yet to advise what if any changes in practice will be made.

The ATT is continuing to review the matter. We would therefore ask members to contact us with any examples they may have if penalties have either been issued in connection with DIY claims or if HMRC has indicated that it is considering issuing them. Email examples to atttechnical@att.org.uk.