



vatALERT

VAT refunds on overseas entertainment

Background

Current UK VAT law restricts the recovery of VAT on business entertainment.

HM Revenue and Customs (HMRC) are currently reviewing the input tax treatment of business entertainment provided to overseas clients in the light of a recent European Court of Justice (ECJ) judgement in two adjoining VAT cases.

In the meantime, pending the outcome of the review, businesses have been invited to submit protective claims for underclaimed input VAT incurred on the cost of entertaining overseas customers.

HMRC stated that this decision does not have any implications for the input tax 'block' on expenditure on entertaining UK business clients. Nor does it have any impact on input tax that can be claimed on expenditure on meals and other entertainment provided to employees - business can continue to claim this input tax subject to the normal rules.

When should a claim be made?

The time in which you can make a claim for underclaimed VAT has been increasing to four years since 1st April 2009. This means that until 1st April 2010 you can make a claim for periods that ended after 31st March 2006.

What information is required?

HMRC have stated that any claim should include:

- Details of the overseas customer (overseas suppliers are not covered);
- The type of expenditure, for example meals, drinks, sporting event etc;
- The amount of input VAT claims;
- Evidence to show that input VAT has not previously been deducted.

Action to take

Businesses should review how much irrecoverable VAT has been suffered on entertaining overseas clients and consider submitting a protective claim.

**How can
we
help?**

For further advice or assistance with the preparation of a claim please contact Carolyn Van Hecke our VAT specialist on **01204 41 42 43** or email **carolyn.vanhecke@cowgills.co.uk**