EXPLANATORY MEMORANDUM TO

THE VALUE ADDED TAX (REDUCED RATE) (CABLE-SUSPENDED PASSENGER TRANSPORT SYSTEMS) ORDER 2013

2013 No. 430

1. This explanatory memorandum has been prepared by HM Revenue and Customs ("HMRC") and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 This instrument amends Schedule 7A to the Value Added Tax Act 1994 (charge at reduced rate).

3. Matters of special interest to the Select Committee on Statutory Instruments

3.1 None.

4. Legislative Context

4.1 This instrument is made under sections 29A and 96(9) of the Value Added Tax Act 1994.

5. Territorial Extent and Application

5.1 This instrument applies to the whole of the United Kingdom.

6. European Convention on Human Rights

David Gauke, Exchequer Secretary to the Treasury, has made the following statement regarding Human Rights:
"In my view, the provisions of the Value Added Tax (Reduced Rate) (Cable-Suspended Passenger Transport Systems) Order 2013 are compatible with the Convention Rights".

7. Policy background

- ***What is being done and why***

7.1 UK law currently provides a zero rate of VAT for the transport of passengers in any vehicle, ship or aircraft designed or adapted to carry not less than ten passengers. This does not cover most cable-suspended transport systems such as ski-lifts, chair-lifts, cable-cars etc as the term 'vehicle' applies to each chair, gondola, t-bar etc, rather than to the whole system.

7.2 While it is not possible to introduce a new zero rate or extend the scope of existing ones, the UK can provide for a reduced VAT rate, of not less than 5 per cent, for the transport of passengers and their accompanying luggage which can be applied

in relation to smaller cable-suspended transport systems that do not have the benefit of the existing zero rate.

7.3 "Cable-suspended transport systems' includes any means of transport comprising 'vehicles' (ie, chairs, gondolas, t-bars etc) suspended from a cable, with each vehicle having a carrying capacity of not more than nine persons. Typically this will include systems designed to transport people up hills and mountains and across rivers and valleys, such as ski-lifts, chair-lifts, cable-cars etc. It will not include any surface-based systems, such as travolators, escalators, funicular railways etc.

7.4 The reduced rate will apply only to the transport of passengers by such systems. Where such systems are located in theme parks and similar locations and an overall charge is made for admission or for the use of the facilities there (including travel on the cable-based system), this charge will not be subject to the reduced rate.

- ***Consolidation***

7.5 There are no projects currently on hand to consolidate Schedule 7A to the Value Added Tax Act 1994.

8. Consultation outcome

8.1 A consultation document was published on 17 July 2012 and a summary of responses document was published on 11 December 2012.

9. Guidance

9.1 This change was announced at Budget 2012. Further publicity will be provided in advance of its coming into force in 2013 and amendments will be made to VAT Notice 744A, 'Passenger Transport', to HM Revenue & Customs' internal guidance, and to relevant website content.

10. Impact

10.1 A Tax Information and Impact Note covering this instrument was published on the HMRC website at http://www.hmrc.gov.uk/thelibrary/tiins.htm.

11. Regulating small business

11.1 The legislation will apply to small businesses. There will be one-off compliance costs for businesses in amending their accounting/point of sale systems to accommodate the reduced rate. The view of respondents to the Consultation on this measure was that these would not be significant.

12. Monitoring & review

12.1 The effect of this reduced rate will be evaluated three years after its introduction.

13. Contact

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