EXPLANATORY MEMORANDUM TO

THE VALUE ADDED TAX (SMALL NON-COMMERICAL CONSIGNMENTS) RELIEF (AMENDMENT) ORDER 2010

2010 No. 1185

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

2. Purpose of the instrument

2.1 This instrument increases the level of relief for Value Added Tax (VAT) on small non-commercial consignments imported from outside the European Union from £36 to £40. This change is necessary in order to comply with Council Directive 2006/79/EC.

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

3.1 None.

4. Legislative Context

4.1 Council Directive 2006/79/EC sets the relevant limit for the relief for VAT on small non-commercial consignments imported from outside the European Union at 45 Euro and requires that member states with national currencies other than the Euro provide for the national currency equivalent of 45 Euro. The Directive provides that the national currency equivalent is determined by the exchange rate on the first working day of October of the preceding year. In addition, the Directive provides that the national currency equivalent need only be changed if the change in value exceeds 5% of the existing value.

Article 3(2) the Value Added Tax (Small Non-Commercial Consignments) Relief Order 1986 set the sterling equivalent of 45 Euro at £36. On 1 October 2009 the exchange rate between Sterling and the Euro was such that the Sterling equivalent of 45 Euro was £40. This change exceeded the former amount of £36 by more than 5% and thereby necessitated this instrument to amend to the 1986 Order.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1 As the instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

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

7.1 This amendment is necessary to ensure that domestic law is fully compliant with Council Directive 2006/79/EC.

- ***Consolidation***

7.2 Not applicable.

8. Consultation outcome

8.1 No consultation was undertaken or necessary for this instrument because the amendment was required in order for domestic law to remain compliant with Council Directive 2006/79/EC and, in any event, the increase in the VAT relief threshold is beneficial to taxpayers.

9. Guidance

9.1 Online guidance has been issued showing the revised figure.

10. Impact

10.1 An Impact Assessment has not been prepared for this instrument as it has a negligible impact on business, charities, voluntary bodies and the public sector.

11. Regulating small business

11.1 This instrument will have a negligible impact on small businesses.

12. Monitoring & review

12.1 HMRC will continue to monitor the exchange rate between the Euro and Sterling on the first working day of October each year to ensure that domestic law complies with Council Directive 2006/79/EC.

13. Contact

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