EXPLANATORY MEMORANDUM TO

THE VALUE ADDED TAX (SMALL NON-COMMERCIAL CONSIGNMENTS) RELIEF (AMENDMENT) ORDER 2012

2012 No. 3060

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 decreases the level of relief for the Value Added Tax (VAT) on small non-commercial consignments imported from outside the European Union from £40 to £36, with effect from 1 January 2013. This change is necessary in order to comply with Council Directive 2006/79/EC (the "Directive") following a revalorisation of the Euro on 1 October 2012.

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.

4.2 Article 3 (2) the Value Added Tax (Small Non-Commercial Consignments) Relief Order 1986 (as amended) (the "Order") set the Sterling equivalent of 45 Euro at £40. On 1 October 2012, the exchange rate

between Sterling and the Euro was such that the Sterling equivalent of 45 Euro was £36. This difference between the amounts is more than 5% and thereby necessitates this instrument to amend the Order.

5. Territorial Extent and Application

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 the Directive.

- ***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.

9. Guidance

9.1 Online guidance will be amended to show the revised figure.

10. Impact

10.1 An Impact Assessment has not been prepared for this instrument as it contains no substantive changes to tax policy.

11. Regulating small business

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

12. Monitoring and Review

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

13. Contact

13.1 Sue Bohannan at HM Revenue & Customs Tel: 01702 361909 or e-mail: sue.bohannan@hmrc.gsi.gov.uk for queries regarding this instrument.