EXPLANATORY MEMORANDUM TO

THE VALUE ADDED TAX (SMALL NON-COMERCIAL CONSIGNMENTS) RELIEF (AMENDMENT) ORDER 2015

2015 No. 2015

1. Introduction

1.1 This explanatory memorandum has been prepared by Her Majesty's Treasury and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 This instrument amends the Value Added Tax (Small Non-Commercial Consignments) Relief Order 1986 (S.I. 1986/939) ("The 1986 Order"). The 1986 Order provides for relief from VAT for small consignments of goods imported into the UK from a place outside of the EU on a non-commercial basis. This instrument changes the definition of "small consignments" in the 1986 Order from consignments with a maximum value of £36 to one with a maximum value of £34. This amendment is necessary to ensure that the UK legislation continues to comply with EU law.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

3.1 None.

Other matters of interest to the House of Commons

3.2 As this instrument is subject to negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

4.1 Council Directive 2006/79/EC (OJ No L 286, 17.10. 2006, p15) ("the Directive" provides that, in certain circumstances, small consignments of goods imported into an EU Member State from a place outside of the EU are to be relieved from VAT; for those purposes a small consignment is defined as a consignment whose value does not exceed €45.

4.2 The Directive requires a Member State with a national currency other than the euro to determine what amount of its national currency is equivalent to €45 on the first working day of October each year and then prescribe that amount in the Member State's national legislation as being the maximum permitted value of a small consignment, with effect from 1st January of the following year.

4.3 The Directive only requires a Member State to amend the amount that is prescribed in its legislation as being the maximum value of a small consignment if the amount of its national currency that is equivalent to €45 on the first working day of October has changed by an amount of 5% or greater in relation to the previous year.

4.4 The Directive is implemented into UK law by the 1986 Order (as amended). Article 3(2) of that Order specifies that a "small consignment" is a consignment whose value

does not exceed £36. That figure was based upon an earlier determination of the amount in sterling that was equivalent to €45. On the first working day of October 2015 the sterling equivalent of €45 was £34. This is a difference of greater than 5% from the amount specified in the 1986 Order and therefore the UK is required under the Directive to amend its national legislation to reflect that change.

5. Extent and Territorial Application

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

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

6. European Convention on Human Rights

6.1 As the instrument is subject to 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 to the 1986 Order is necessary to ensure that UK law continues to comply with the Directive.

8. Consultation outcome

8.1 No consultation was undertaken for this instrument because, the amendments for which it provides are required in order for UK law to remain compliant with the Directive, and it contains no substantive changes to tax policy.

9. Guidance

9.1 Existing guidance prepared by HMRC and available on the www.gov.uk website will be changed to reflect the amendments made by this instrument.

10. Impact

10.1 There is no impact on business, charities or voluntary bodies.

10.2 There is no impact on the public sector.

10.3 An Impact Assessment has not been prepared for this instrument.

11. Regulating small business

11.1 The legislation does not apply to activities that are undertaken by small businesses.

12. Monitoring & review

12.1 HM Revenue and Customs will monitor the exchange rate between the euro and sterling on the first working day of October to ensure that the UK legislation complies with the Directive.

13. Contact

13.1 Diane Evans at HM Revenue and Customs Telephone: 03000 593 831 or email: diane.evens@hmrc.gsi.gov.uk can answer any queries regarding the instrument.