HMRC - VATDSAG01100 - Introduction: Law

EU Law

Article 11 of the EU Principal VAT Directive provides as follows:

‘…each Member State may regard as a single taxable person any persons established in the territory of that Member State who, while legally independent, are closely bound to one another by financial, economic and organisational links.

A Member State exercising the option provided for in the first paragraph, may adopt any measures needed to prevent tax evasion or avoidance through the use of this provision.’

UK Law

Schedule 1,1A (2) of the VAT Act 1994 requires that, in determining whether any separation is artificial, due regard is had to the extent to which the different persons concerned are closely bound to one another by

financial

economic, and

organisational

links.

Schedule 1, 2(2) of the VAT Act 1994 lays down three conditions which must be met before we can issue a Notice of Direction to any person. These are:

he is making or has made taxable supplies

those taxable supplies form part of wider activities carried on concurrently or previously (or both) with one or more other persons

the totality of the disaggregated activities gives rise to a liability to be VAT registered.

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