Summary: Intervention & Options

Department /Agency:	Title:	
HM Revenue and Customs	Impact Assessment of changes to implement the EU VAT Technical Directive and related changes	
Stage: Implementation	**Version:** 1	**Date:** 10 December 2010

Related Publications: Revenue and Customs Brief 47/10; Budget Note 42 (June 2010); Simplifying the VAT Partial Exemption and Capital Goods Scheme Rules - Summary of Responses 1/1/08.

Available to view or download at:

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What is the problem under consideration? Why is government intervention necessary?

The EU VAT Technical Directive (Council Directive 2009/162/EU) has been agreed by all Member States and must be implemented by 1 January 2011. The new law permits VAT recovery on the cost of certain assets only to the extent to which they are used for business (and not private) purposes. It also introduces an adjustment mechanism to ensure that any changes in the business use of these assets can be taken into account during their economic life. This helps to ensure a fair recovery of VAT overall. As these changes are closely linked with the final phase of a 3-year programme to simplify the partial exemption and capital goods scheme (CGS) rules (see par. 8), they are being introduced as a package to reduce compliance costs for business.

What are the policy objectives and the intended effects?

To implement the Technical Directive to comply with EU law, which limits VAT recovery on the cost of land and property and other assets specified by Member States to business use. The UK has specified ships, boats and other vessels, as well as aircraft, for these purposes. The UK has also widened its existing CGS to bring in the adjustment mechanism to help ensure a fair recovery of VAT incurred on the cost of these assets. Changes to simplify and update the partial exemption (PE) and CGS rules help to reduce compliance costs for businesses and ensure a fair recovery of VAT.

What policy options have been considered? Please justify any preferred option.

1. (a) Implement the requirements of the Technical Directive; and

   (b) Introduce changes to simplify and improve the PE and CGS rules

2. Do nothing.

Option 1 is preferred to ensure compliance with EU law, help ensure a fair recovery of VAT and to reduce compliance costs for business.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

Within 3 years from the date of implementation.

Ministerial Sign-off For Implementation Stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy and (b) that the benefits justify the costs.

Signed by the responsible Minister:

Date: 15 December 2010

Summary: Analysis & Evidence

Policy Option: 1	Description: Implement the requirements of the Technical Directive and changes to simplify and improve the PE and CGS rules.

COSTS

ANNUAL COSTS		
One-off (Transition)		Yrs
£	976k	1
Average Annual Cost (excluding one-off)		
£	90k	10

Description and scale of **key monetised costs** by 'main affected groups' Businesses will need to spend time familiarising themselves with the changes. Some taxpayers (mainly charities and educational establishments) will need to review the extent to which CGS assets and costs dealt with by the combined method are used for business purposes.

Total Cost (PV) **£ 1.8m**

Other **key non-monetised costs** by 'main affected groups' None.

BENEFITS

ANNUAL BENEFITS		
One-off		Yrs
£	0	1
Average Annual Benefit (excluding one-off)		
£	650k	10

Description and scale of **key monetised benefits** by 'main affected groups' Some businesses will benefit from annual CGS calculations instead of quarterly 'Lennartz accounting'. The combined method will help reduce the number of calculations for businesses with PE and Business Non Business calculations.

Total Benefit (PV) **£ 4.8m**

Other **key non-monetised benefits** by 'main affected groups' This package of changes will help to ensure that businesses recover a fair amount of VAT on their costs. The combined method should also increase taxpayer certainty and help reduce disputes (see par. 19).

Key Assumptions/Sensitivities/Risks The main assumption is the number of taxpayers affected by these changes. These have been based on HMRC records and operational experience, and are believed to be of the right magnitude.

Price Base Year 2010/11	Time Period Years 10	**Net Benefit Range** (NPV) £	**NET BENEFIT** (NPV Best estimate) £ **3.0m**

What is the geographic coverage of the policy/option?			United Kingdom	
On what date will the policy be implemented?			1 January 2011	
Which organisation(s) will enforce the policy?			HMRC	
What is the total annual cost of enforcement for these organisations?			£ Negligible	
Does enforcement comply with Hampton principles?			Yes	
Will implementation go beyond minimum EU requirements?			N/A	
What is the value of the proposed offsetting measure per year?			£ N/A	
What is the value of changes in greenhouse gas emissions?			£ N/A	
Will the proposal have a significant impact on competition?			No	
Annual cost (£-£) per organisation (excluding one-off)	Micro **N/A**	Small **N/A**	Medium **N/A**	Large **N/A**
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices) (Increase - Decrease)

Increase of £	Decrease of £ Nil	**Net Impact** £ Nil

Key: **Annual costs and benefits: Constant Prices** **(Net) Present Value**

Evidence Base (for summary sheets)

Objective

1. To implement the Technical Directive, ensure a fair recovery of VAT on costs and to reduce compliance costs for businesses.

Background

2. Where a business incurs VAT on the purchase of an asset, such as a yacht or aircraft, which it intends using partly for private purposes, it has the option of recovering only the proportion of VAT relating to intended business use. Alternatively, the business can apply Lennartz accounting (named after the ECJ judgment which sets out how it operates), which enables it to recover all of the VAT on the asset upfront. The business is then required to pay VAT based on the actual private use for a period of up to 10 years. Lennartz accounting therefore confers a cash-flow benefit: full upfront recovery of VAT (subject to any restriction for exempt supplies – see par. 6), which is then effectively repaid to the Exchequer over a number of years.

<u>The Technical Directive</u>

3. It was announced in the June Budget 2010 (see Budget Note 42) that primary legislation would be included in the Autumn Finance Bill to implement the 'Lennartz accounting' element of the EU VAT Technical Directive. In the UK, this will prevent Lennartz accounting being used for land and property, ships and aircraft, by restricting the upfront recoverable VAT to the business use element only – thereby preventing the cash-flow advantage described above.

4. For these assets, the Technical Directive requires Member States to introduce an adjustment mechanism that caters for changes in business use. This helps to ensure a fair recovery of VAT over the economic life of the asset. The Technical Directive requires the new adjustment mechanism to be consistent with the rules that adjust VAT recovery for assets with both taxable and exempt business use. In the UK, these rules are known as the Capital Goods Scheme.

The Capital Goods Scheme (CGS)

5. The CGS applies to certain types of capital assets (land, buildings and computer equipment) and requires a business to review the extent to which the asset is used in making taxable supplies for up to 10 years and to adjust the amount of VAT claimed if use changes. It does this by reviewing its partial exemption calculation each year.

6. Under current rules, a business (with business and non-business activities) has to follow two steps to determine how much VAT is recovered on the initial cost of an asset and then how much is adjusted over its economic life:

- Firstly, it has to apportion VAT between its business and non-business activities (e.g. private use) – this is known as a **business-non-business** (**BNB) calculation**. VAT relating to business activities is carried forward to the second step (VAT relating to non-business activities is irrecoverable);
- Secondly, it must apportion the VAT carried forward between taxable and exempt supplies. VAT relating to taxable supplies is recoverable, whereas VAT relating to exempt supplies is normally irrecoverable. This apportionment is known as a **partial exemption (PE) calculation.**

7. In most cases, these two calculations finalise the amount of recoverable VAT and there is no further adjustment. However, where the CGS applies, the PE calculation must be reviewed over the next 5 -10 years (depending on the type of asset) to ensure that VAT is adjusted if there has been a change in use of the asset. Currently, the CGS only reviews the PE calculation – it does not review the BNB calculation, which is a one-off event. The Technical Directive requires that the BNB calculation will also be subject to an adjustment mechanism for the specified assets. For simplicity, this has been implemented by widening the scope of the CGS to cater for changes in non-business activities.

Simplifying and improving the PE and CGS rules

8. In June 2008, HMRC consulted on a number of changes to simplify the partial exemption and CGS rules. There was strong support for developing the changes over a 3-year period. The first two years of this programme have been completed

and the changes have reduced administrative burdens for business by around £5m per annum – see Impact Assessments of: “package of 4 changes to simplify the VAT partial exemption standard method” 23 March 2009; and “2 changes to simplify the VAT partial exemption de minimis rules” 15 February 2010.

9. The final phase of this programme focuses on simplifying and improving the CGS rules and the introduction of a combined BNB PE method. Given the synergies with the changes required under the Technical Directive these pieces of work have been taken forward together in consultation with a specially formed consultative group (comprising advisers and business representatives). The changes will be implemented by amendments to Parts XIV to XVA of the VAT Regulations 1995 (SI 1995 / 2518).

Changes

10. This impact assessment examines the benefits and costs of implementing changes that can be grouped under the following headings:

1(a) Implement the requirements of the Technical Directive - necessary to meet EU requirements; and

1(b) Introduce changes to simplify and improve the PE and CGS rules.

Benefits and costs

Option 1(a): Implement the requirements of the Technical Directive

(i) Restricting VAT recovery to business use of land, buildings, ships and aircraft;

(ii) Widening the scope of the CGS to include ships and aircraft, and to cater for changes in business use; and

(iii) Widening the scope of the clawback / payback rules to cater for changes in business use.

Change (i): Restricting VAT recovery for land, buildings, ships and aircraft

11. In January 2010 HMRC announced a policy change (prompted by the ECJ decision known as “VNLTO” - Vereniging Noordelijke Land – en Tuinbouw Organisatie - Case C-515 / 07) confirming that Lennartz accounting had a more limited application than had previously been applied and it was no longer available to many taxpayers whose activities were outside the scope of VAT (see Revenue and Customs Brief 02/10). Because of this, the impact of the Technical Directive for taxpayers with land and buildings is now negligible and the main impact is in relation to ships and aircraft.

<u>Change (ii): Widening the scope of the CGS to include ships and aircraft, and to cater for changes in business use</u>

12. Ships and aircraft purchased by VAT registered businesses and costing £50,000 or more (excluding VAT) fall within the wider CGS with effect from 1 January 2011, thereby helping to ensure a fair recovery of VAT over the economic life of the asset. However, businesses purchasing ships and aircraft liable to the VAT zero-rate or used solely for taxable business purposes are unlikely to be affected by the wider CGS. Based on HMRC records, it is tentatively estimated that Lennartz accounting is applied to around 1,000 ships and aircraft in total each year, and it is assumed that a similar number will be subject to the wider CGS with effect from 1 January 2011. It is further assumed that the average cost of carrying out an adjustment under Lennartz accounting is similar to the average cost of an adjustment required under the wider CGS for these assets (which are mainly used for taxable business and private purposes). Under the Standard Cost Model (SCM) it is estimated that the average cost of a CGS calculation is around £30 per year. However, Lennartz accounting adjustments are typically carried out on a quarterly basis, whereas CGS adjustments are carried out on an annual basis. Overall, this would mean that under Lennartz accounting around 1,000 businesses would have had compliance costs of around £120 per year, whereas under the wider CGS this falls to around £30 per year resulting in a **compliance cost saving for business of around £90,000 per annum for the first year; rising to £450,000 per annum by the fifth year.**

13. Widening the scope of the CGS to cater for changes in business use is likely to impact mainly on charities and educational bodies that incur VAT bearing expenditure of £250,000 or more on land and buildings. Based on operational experience, it is tentatively estimated that a total of around 1,300 charities have land or a building that falls to be a CGS asset. As the CGS period of adjustment is usually 10-years for these assets, it follows that on average around 130 charities acquire a CGS asset each year. From the SCM, it is estimated that the average cost of the PE element of the CGS adjustment is around £30 per year. Assuming the average cost of the BNB element of the CGS calculation is roughly the same, then it follows that the **additional compliance cost to businesses of reviewing the BNB calculation as part of the CGS adjustment for these businesses is around 130 x £30 = £3,900 per annum in the first year; rising to £39,000 per annum by the tenth year.**

14. As part of the changes, the definition of CGS assets will be defined by reference to the total VAT bearing expenditure rather than business-related expenditure. Therefore, some additional land and buildings may be brought within the scope of the CGS. It has not been possible to quantify the number, but this is not thought to affect a significant number of taxpayers.

<u>Change (iii): Widening the scope of the clawback / payback rules to cater for changes in business use</u>

15. In addition to the CGS, the UK operates another (less sophisticated) adjustment mechanism known as clawback / payback. These rules apply where business related VAT on costs is provisionally claimed or not claimed on the basis of an intended supply, but before that intention comes to fruition, there is either a change of intention or the costs are actually used to make a supply of a different VAT treatment. The clawback / payback rules require that VAT on the relevant costs are reallocated. So, for example, a business cannot claim back VAT on a cost that it intends to use for VAT exempt purposes. However, if before the asset is actually used to make supplies, there is a change of intention and the taxpayer decides to use the cost to make a taxable supply, it would be entitled to a "payback" (i.e. recovery) of the VAT from HMRC. This change widens the scope

of the clawback / payback rules by including VAT relating to non-business activities and allowing for adjustment where business use changes. This helps to ensure that affected businesses recover a fair amount of VAT and also helps to ensure that the correct baseline is set for assets that fall within the CGS.

16. Widening the clawback / payback rules to cater for changes in business use is likely to lead to a slight increase in compliance costs as some businesses such as charities and educational establishments will be required to consider changes in non-business use of relevant expenditure. However, while it has not been possible to quantify this cost, the number of businesses potentially affected is expected to be small and this change is not expected to lead to a significant increase in compliance costs.

Option 1(b): Introduce changes to simplify and improve the PE and CGS rules

(i) Combined business non-business and partial exemption method; and

(ii) Changes to the CGS

Change (i): Combined business non-business and partial exemption method

17. Under current legislation BNB and PE calculations must be kept separate – a BNB calculation is carried out first to establish how much VAT relates to business activities and can therefore be treated as input tax. Input tax is then deductible in so far as the related cost is used to make taxable supplies.

18. The PE calculation is normally carried out using a partial exemption method – either the default turnover-based standard method which is set out in legislation or, alternatively, a taxpayer may seek approval from HMRC of a special method that can be tailored to its specific needs. In contrast, the legislation simply requires a BNB calculation to be carried out on any fair basis – it has not been possible to devise a standard BNB method given the diverse nature of non-business activities.

19. The combined business non-business partial exemption method ("combined method") will give taxpayers the legal right to seek approval for a method covering their BNB calculations. In the vast majority of cases, the business will also be partly exempt (i.e. make exempt supplies) and the legislation will require the method to cover the PE calculation to help ensure consistency between the two calculations and a fair recovery of VAT. Essentially, this change widens the scope of the partial exemption special method regime to cater for non-business activities. It will also provide businesses with more certainty as once a method has been approved by HMRC, there should be fewer disputes relating to the BNB calculation.

20. However, not all businesses carrying out BNB and PE calculations will benefit as it is unlikely that the combined method will be taken up by businesses that benefit from the partial exemption de minimis provisions (as the legislation does not allow a business that operates a combined method to qualify as de minimis) and it will not be available for apportionments involving private use. The main beneficiaries are charities and educational establishments. Based on HMRC records it is estimated that around 3,000 businesses will seek approval for a combined method. However, not all of these businesses will seek approval straight away and we anticipate that around 300 will seek approval each year, meaning that it will be around 10-years before all 3,000 businesses gain approval to operate a combined method.

21. While there will be an up-front cost for businesses associated with seeking approval of the BNB part of the combined method, it is not expected to significantly increase compliance costs for businesses and should result in lower costs over time. This is because some businesses already enter into BNB agreements with HMRC by way of administrative agreement and the majority also seek approval of a partial exemption special method. Therefore, they will benefit from seeking approval for one combined method, rather than separate BNB and PE methods. Others enter into regular discussions with HMRC about what constitutes a fair BNB calculation – an approved combined method should reduce

the need for these sorts of discussions. However, it has not been possible to quantify these costs and benefits.

22. Businesses that operate a combined method will incur some costs in carrying out an annual adjustment for the BNB calculation to help ensure a fair recovery of VAT as well as consistency with the PE special method regime. Based on the SCM, it is estimated that the cost of a PE annual adjustment is £45. Assuming the cost of a BNB annual adjustment is similar, it is estimated that this will **increase compliance costs by around 300 x £45 = £13,500 per annum in the first year; rising to £135,000 per annum by the tenth year.**

23. However, some businesses will be able to amalgamate their BNB and PE calculations which cuts down on the number of calculations and saves the need to distinguish between VAT relating to exempt supplies and VAT relating to non-business activities. Based on the SCM, it is estimated that the average cost of carrying out PE calculations for a trader with restricted input tax is £225 per annum. Assuming the cost of BNB calculations is similar, this implies a total cost of £450 per annum. Based on operational experience, it is estimated that the potential for combining these two calculations might reduce compliance costs by up to 30% on average, saving around £135 per annum and resulting in a **compliance cost saving of around £40,500 per annum for the first year; rising to £405,000 per annum by the tenth year.**

Change (ii): Changes to the CGS

24. There are a number of further changes to simplify and update the CGS which are summarised in Annex 2. Overall, these changes have a negligible impact on compliance costs.

One-off compliance costs

25. There will be some one-off compliance costs as affected businesses will need to familiarise themselves with the changes.

Option 1(a): Implement the requirements of the Technical Directive

26. It is estimated that around 6,300 businesses will be affected by this change. The SCM distinguishes between businesses that prepare their own VAT returns and those that outsource. Based on the SCM it is assumed that 60% of affected businesses (3,780) will carry out the work in-house; and the remaining 40% (2,520) are assumed to outsource the work to advisers. For both groups it is assumed that they will need to read generic guidance either direct from HMRC or via an adviser's bulletin, for an average of 1 hour at an average wage rate of £20; this will result in a one-off compliance cost of £126,000. It is assumed that around 20% of advised businesses (500) will require specific external advice at a cost of £500; this will result in a further one-off compliance cost of £250,000.

Option 1(b): Introduce changes to simplify and improve the PE and CGS rules

27. It is estimated that around 20,000 businesses will be affected by this change. Based on the SCM it is assumed that 60% of affected taxpayers (12,000) will carry out the work in-house; and the remaining 40% (8,000) are assumed to outsource the work to advisers. For both groups it is assumed that they will need to read generic guidance, either direct from HMRC or via an adviser's bulletin, for an average of 1 hour at an average wage rate of £20; this will result in a one-off compliance cost of £400,000. It is assumed that around 5% of advised businesses (400) will require specific external advice at a cost of £500; this will result in a further one-off compliance cost of £200,000.

Sectors affected

28. The Technical Directive changes potentially impact on around 5,000 businesses that purchase ships or aircraft, and around 1,300 taxpayers (mainly charities and educational bodies) that will be required to review the BNB calculation for assets falling within the CGS. The changes to simplify and improve the CGS potentially benefit around 20,000 businesses that have CGS items.

<u>Admin Burdens</u>

The Admin Burden Baseline only includes the business population and excludes charities which are outside the scope of the SCM. Therefore any administration savings for charities or non-business taxpayers are considered to be compliance cost savings rather than admin burden savings.

Impact on HMRC

29. Overall, these changes are expected to have a negligible impact on HMRC resources.

Implementation

30. The changes take effect from 1 January 2011.

Impact tests

Competition Assessment

31. We have applied The Office of Fair Trading competition filter to these changes and concluded they have no impact on competition.

Small Firms Impact Test

32. Consultation with representatives of small business has confirmed that small businesses will benefit from simpler and less-time consuming calculations, and there should be no adverse impact.

Legal Aid

33. There will be no need for new criminal sanctions or civil penalties.

Sustainable Development

34. The changes will be in accordance with principles of sustainable development.

Race Equality, Disability Equality, Gender Equality and Human Rights

35. An initial equality assessment has confirmed that the changes have no negative impacts.

Rural issues

36. The changes will not have a significantly different effect in rural areas. Neither will they significantly impact on Carbon Emissions, Other Environment or Health.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	*Results in Evidence Base?*	*Results annexed?*
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	No
Legal Aid	Yes	No
Sustainable Development	Yes	No
Carbon Assessment	Yes	No
Other Environment	Yes	No
Health Impact Assessment	Yes	No
Race Equality	Yes	No
Disability Equality	Yes	No
Gender Equality	Yes	No
Human Rights	Yes	No
Rural Proofing	Yes	No

Annexes

Annex 1: A brief outline of the Standard Cost Model

The Standard Cost Model (SCM) has been used to derive an estimate of the costs to businesses of complying with HMRC obligations in this area to disclose information to HMRC or to third parties. The SCM considers which activities a business has to undertake to comply with HMRC obligations and requirements, how many businesses have to comply, and how often they need to comply. The SCM considers the burdens which apply to different sizes of businesses and whether they outsource their compliance activities. It also differentiates between businesses which use e-solutions and those which do not.

The SCM estimates the costs of using agents and other external providers; the costs of undertaking work in-house, using a pre-defined set of activities; and the costs of actually transmitting the information. The SCM does not consider one-off costs or transitional costs of a change in policy. The SCM does not consider costs which a business would have incurred anyway had the relevant HMRC obligation or requirement not existed. It considers the costs which apply to normally efficient business. The SCM does not consider any wider compliance cost issues, such as the costs of business uncertainty or cash flow costs. The SCM figures are based on wage rates, prices and populations which existed in May 2005.

Annex 2: Summary of changes to the CGS

Change	Description	Reason for change	Compliance costs
Legislating for a concession	As part of its programme of regularising extra-statutory concessions, HMRC announced in April 2009 that it would be considering the future of one of its concessions (which allows VAT recovery under a CGS type calculation by a person who was not registered for VAT at the time they acquired a CGS asset). This has been legislated for under the CGS.	To legislate for the concession to help ensure that businesses recover a fair amount of VAT.	It will save around 15 businesses the cost of writing in to HMRC each year to operate the concession.
Defining the start of the CGS by reference to "first use"	Redefining the start date of the CGS period of adjustment by reference to first use (currently, there are various definitions including date of importation, acquisition, registration, first use and deemed supply).	Simplifies CGS legislation and helps to ensure a fair recovery of VAT.	Negligible.
Part disposals of CGS items	Under the current rules, the CGS adjustment period is only brought to an end where the owner disposes of the whole of their interest in the capital item. For example, if part of a refurbishment is destroyed, part of a building is sold or the whole building is sold but certain assets are retained (for example fixtures and fittings), a business is still required to perform CGS adjustments on all of the VAT on the capital item – even VAT on that element of the capital item that has been destroyed or sold. This change will ensure that a business carries out a final adjustment in relation to the VAT	Aligns UK legislation with EU case law. Helps to ensure businesses recover a fair amount of VAT on CGS assets.	Negligible.

	required to continue making adjustments in relation to that part of the capital item which is still in existence or which it still owns.		
Removing the "old" disposal test	There are currently two anti-avoidance provisions in this legislation, known as the "old" and "new" disposal tests (dealing with avoidance schemes focussing on disposals of whole interests in capital items). The new test effectively makes the old test redundant and so we propose removing the latter from the legislation.	Test redundant. Simplifies the CGS legislation.	Negligible.
Aligning period of CGS adjustment with period of interest in adjustment with interest in CGS item	In some cases, the period of time that a business has an interest in an asset is less than the required adjustment period under the CGS. This change aligns the period of adjustment with the interest in the asset to ensure a logical result.	Simplifies the CGS. Helps ensure a fair recovery of VAT.	Negligible.
Removing 10% additional floor area condition	One of the conditions for an alteration or extension of a building to qualify as a CGS item is that it creates at least 10% additional floor area. This change removes the 10% condition so businesses only need to consider total capital expenditure.	Simplifies CGS and helps to ensure a fair recovery of VAT.	Businesses no longer need to consider the 10% condition, so reduces administrative burdens. A very slight widening of the CGS as alterations / extensions that do not create 10% additional floor space may be drawn into the CGS. Overall negligible impact.
Removing requirement that goods are affixed to a building	Under current rules, expenditure on goods is only included within the value of a CGS item if they are affixed to a building. This change simplifies the rule by removing this condition so that a business only needs to consider total capital expenditure.	Simplifies CGS and helps to ensure a fair recovery of VAT. .	Businesses that incur capital expenditure on buildings no longer need to consider whether goods are affixed, so reduces administrative burdens. A very slight widening of the CGS as expenditure on goods not affixed to a building may be drawn into the CGS.

			Overall negligible impact.
Including the refurbishment, fitting out, alteration or extension of civil engineering works	Currently the CGS only applies to the purchase or construction of a civil engineering work. However, this is inconsistent with the definition for other buildings that include refurbishment, fitting out, alteration or extension, and this change ensures consistency for civil engineering works.	Consistency with other CGS definitions. Helps to ensure a fair recovery of VAT.	A very slight widening of the CGS, negligible impact.
Removing self-supply charges arising before 1 March 1997	Certain changes in the use of buildings triggered a self-supply charge prior to 1 March 1997, which, in turn, created a capital item. This change removes such self-supply charges as they were no longer relevant with effect from 2008.	Test redundant. Simplifies CGS legislation.	Negligible.
Clarifying timing and accounting for CGS adjustments	Updating legislation to confirm the time and responsibility for making CGS adjustments – for example, confirming that the representative member of a VAT group is the owner for VAT purposes of all CGS items owned by companies while they are within the group, and that a business that de-registers is required to account for any CGS adjustment on its final return.	Simplifies and clarifies CGS legislation.	Negligible.