

HMRC Introduces Temporary Extension for Notifying an Option to Tax

May 22, 2020

This advisory outlines temporary changes instituted by Her Majesty's Revenue and Customs (HMRC), on 14 May, in light of the COVID-19 pandemic, to increase the deadline that companies have to notify HMRC of a decision to opt to tax land and buildings.

Changes to the time limit

HMRC's standard value-added tax (VAT) treatment for land and buildings is that they are exempt from VAT. Therefore, in order to charge or recover VAT in relation to services provided or received for land and buildings, parties had to 'waive their exemption', or 'opt to tax'.

The deadline for submitting an option to tax to HMRC was, until very recently, 30 days from the date the decision was made. However, HMRC has acknowledged that these rules have been 'challenging to follow' in light of the ongoing COVID-19 pandemic, and in response the time limit has been increased (temporarily) to 90 days from the date the decision to opt to tax was made.

HMRC has advised this amended time frame is to be applied to decisions made between 15 February and 31 May. Currently, it appears that the original deadline of 30 days will be reverted to after 31 May.

Notifying an option to tax as a business

If you are notifying an option to tax as a business, the required form can be submitted with an electronic signature alongside evidence that the signatory is authorised to make the option on behalf of the business. For example, the authorised signatory could email the form to HMRC with their sign off in the email and the form, or with an email chain or a scan of correspondence, showing the authority given by an authorised signatory.

Notifying an option as an agent

If the option to tax is notified by an agent, they will need to submit the required form via email with relevant proof that the signature on the form is from a person authorised to make the option on behalf of the business or that authority has been granted to the agent by the business to use the electronic signature. Evidence could include a current email or email chain from an authorised signatory of the business, giving the agent authority to use the signature and send it to HMRC on their behalf. Alternatively, a scan of correspondence showing authority is given for the electronic signature to be used on the form and for this to be sent to HMRC.

QUERIES

This is an explanatory reference note produced for guidance only. It should not be treated as legal advice on any specific situations. For more information, please contact Katten's [Real Estate](#) or [Transactional Tax Planning](#) practices or the following attorneys:



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