

Corporate

August 2009

Good News for Carbon Credit Traders

HMRC has acted to curb the potential for a new form of VAT fraud by assigning a zero rating to carbon credits.

In our July 2009 bulletin, we identified the risk of carousel trading, also known as missing trader fraud, whereby goods or services are traded across European borders to avoid VAT, then resold including within the same country to which they have been imported. The fraudsters then disappear without notifying tax authorities of the transaction.

HMRC had already identified cases in which suspected carousel trading of carbon credits had occurred, and have taken action to prevent the problem becoming widespread. As of midnight on July 30, carbon credits will be zero-rated for VAT.

Similar methods of fraud prevention have been enacted by authorities in France and the Netherlands.

Zero-rating is different from tax exemption, in that zero-rated goods are still taxable. However because no VAT is charged, the opportunity for fraud is removed and the seller is able to reclaim VAT on any purchases that relate to those sales.

Anyone who has traded carbon credits prior to HMRC's decision should still be aware that these transactions may still be investigated, since HMRC will want to recover any lost VAT still outstanding. Your usual contact at Dundas & Wilson will be able to advise you on this further.

This Alert! is correct to the best of our knowledge and belief at the time of going to press. It is however written as a general guide, so it is recommended that specific professional advice is sought before any action is taken. We are required by law to protect personal data.

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If you would like any further information on this Alert!, or any other Corporate issues, please call the person at D&W with whom you normally liaise, or one of the following specialists:

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