
AFME's views on the UK VAT review on financial services

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The Association for Financial Markets in Europe (AFME) welcomes the opportunity to comment on HMRC initiative which relate to VAT and financial services.

AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia.

AFME is registered on the EU Transparency Register, registration number 65110063986-76.

Executive Summary

- AFME welcomes the HMRC and HMT's plans to take action in the review of the VAT on financial services.
- AFME would like to bring the following topics to the attention of HMRC and HMT :
 - VAT on financial services UK review – Could HMRC provide additional information regarding the associated timeline for the review? Is there an intention for HMRC to move from a case law approach towards a regulatory driven approach? If so, could HMRC provide additional guidelines *i.e.*, what does it mean in practice?
 - Do HMRC envisage releasing any further guidance concerning Skandia / Danske Bank Case and UK VAT groups?

Currently there is no level playing field when you receive charges from another branch or head office located in a member state applying Skandia / Danske Bank principles. For example, a French banking group is at disadvantage compared to an Irish based banking group.

- Could HMRC confirm the current timelines for a new PESM approval process ? There was a considerable amount of discussion between HMRC and AFME on establishing a VAT PESM which culminated in the drafting of a Framework document. This document was not finalized due to other external issues and it would be advantageous for both sides to finalize this document.
- Zero-rating research *i.e.* as a digital publication: What is HMRC approach on zero-rating research, on the Low Touch and High Touch distinction. (*i.e.*, *Low touch being access to written research, high touch being potentially more bespoke*).
- Digital products: we are seeing many offerings not only cryptocurrencies but also movements of securities/money via block chain technology. This raises the issue around whether the digital ledger entries or tokens used are just a digital representation of the underlying. We would like to know HMRC's view on the custody elements on cryptocurrency or similar.

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