

EU VAT warning for outsourcing firms

EXCLUSIVE BY ALEX

BEVERIDGE | A European ruling on charging VAT on outsourcing activities could have serious consequences for third-party outsourcing firms, the Association of Mortgage Intermediaries (AMI) has warned.

A recent case handled by the European Court of Justice in respect to an insurance company outsourcing some of its back-office activities has ruled that the service performed should be VAT-able.

AMI held a meeting last week to discuss the potential threat this ruling could have on outsourcing firms in the mortgage market, including packagers and mortgage clubs.

Chris Cummings, director of

AMI, said: "We're trying to put in place some fire breaks so mortgage firms are protected. Although Customs and Excise in the UK is looking at this ruling, the Treasury regards taxation matters as an 'issue of domestic competence'. Nevertheless, the Treasury may be forced to go along with this anyway as it is a European ruling. At the moment it might just be for insurers but it may very well spread to the whole financial services sector."

Cummings added that AMI is advising its members to set out efficient tax planning for the next six months to a year.

Stephen Atkins, group compliance director at Freedom Finance and AMI board mem-

ber, said: "If this is extended into the UK it would potentially threaten all types of outsourcing arrangements, including those of networks and clubs. With a lot of lenders, the fees they pay are inclusive of VAT. This could be devastating as the lenders will say we've paid our VAT, so packagers and clubs will be left with the problem."

Vic Jannels, group managing director at All Types of Mortgages (AToM), commented: "At this stage the ruling is remote to packagers as it affects insurers who are largely non-UK-based. However, obviously we need to be concerned about the implications for the mortgage market."