



VAT - Reversion of the standard rate to 17.5%

We are coming to the end of the 13 month period where the standard rate of VAT is 15% and on 1 January 2010 will revert to 17.5%. So for anyone wanting to do something special on New Year's Eve HM Revenue & Customs have published a 45 page guide to explain all the niceties that you need to bear in mind to ensure that the correct amount of VAT is charged and paid over!!

The guide is laid out in a fairly easy to follow fashion and we thought it would be a good idea to circulate this rather than re-invent the wheel.

This can be found on our publications page of the website at www.rrl-truro.co.uk/publications

The main items to be aware of are the following:

- The change takes place in respect of sales from 1 January 2010. The Tax Point rules are referred to in section 2. Sections 2 and 3 explain what to do when services span 1 January and where apportionment can be made.
- Decide what action is required on price lists etc where your prices are shown VAT inclusive.
- Beware of any cash received in advance of 1 January 2010 in respect of these sales (deposits etc) see Section 2.6. There is an opportunity to charge 15% on goods paid for in advance of 1 January 2010.
- Your accounting system needs to be amended to record the correct VAT rate. For example Sage will need to be changed back on 1 January so that T1 is 17.5% and T4 (or any unused T code) is used for 15%.
- Don't forget to change any spreadsheets you may have that do VAT calculations!
- Retail schemes need to pay attention to Section 4
- VAT on Fuel Scale Charges will need to be amended (Section 7 and Annexe C)
- Annual Accounting Schemes (Section 8)
- Cash Accounting Schemes need to be careful of cut off around 1 January (Section 8)
- Flat Rate Schemes percentages change (Section 8.4) however the new rates have yet to be announced!
- Clubs and Associations which charge subscriptions will need to look at Section 9.3 – subscriptions raised in advance are at 15% - but in arrears may need apportioning.
- Construction services – stage payments etc (Section 9.4)
- Rental income spanning 1 January procedures are explained in 10.5.1
- Second hand margin schemes will need to revise calculations (Section 8.6)

However, where you issue a VAT invoice or receive payment prior to 1 January 2010 and one of the following conditions is met there are rules in place which may mean an extra 2.5% VAT is chargeable:

- you supply the goods or services to a connected person (such as another business controlled by you); or
- you provide or arrange funding of your customer's payment; or
- you issue a VAT invoice to your customer that does not have to be paid in full within six months; or
- the payment or VAT invoice is in excess of £100,000, and this is not normal commercial practice.

Please review the booklet to ensure there are no other quirks which may affect you.

If you require further information on any aspect of these changes please contact Stephen Gainey our VAT Partner.