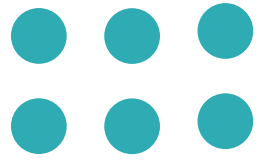




Business Essentials - VAT

- **Presented by Jo Tomlinson**
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- Registered and Approved Growth Coach



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After 20 years in Industry analysing company data to support commercial business decisions, I founded Business Works with a vision to offer real-world solutions to businesses.

We have grown into a trusted partner for companies seeking a better understanding of their numbers, great customer service, and business growth.

With a team of 12, we are large enough to provide all the finance support SME business owners need, plus the value-added services that help them to flourish and grow.



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VAT Registration

- Compulsory to register for VAT if your taxable turnover is greater than the current registration amount in the last rolling 12 months or will breach it in the next 30 days
- Compulsory registration amount £90,000



When to register for VAT

End of July	Turnover in the previous 12 months is more than £90k for the first time
End of Aug	Register for VAT
1 st Sept	Effective date of registration



When to register for VAT

1st May Win a big contract worth £100k

End of May Payable

1st May Effective date of registration

Date you became aware that you will breach the threshold in the next 30 days



Taxable Turnover

Total value of everything you sell that is not exempt from VAT or out of scope, including:

- Zero-rated goods
- Reduced-rate goods
- Standard-rated goods
- Goods you hire or loan to customers
- Business goods used for personal reasons
- Goods you bartered or part-exchanged, or gave as gifts
- Services you received from businesses in other countries that were subject to 'reverse charge'
- Goods and services which are subject to the 'domestic reverse charge'



The difference between zero rated and exempt supplies

	Zero Rated	Exempt
	Still chargeable to VAT, but at a rate of zero	Not chargeable to VAT
All of your sales are this	Can reclaim VAT on things you buy if VAT registered	Cannot be VAT registered as not making chargeable supplies
Some of your sales are this	Same as above – no issue	Can apply for partial. Complex – de minimus rules
		•£625 per month on average; and
		•half of your total input tax in the relevant period.



Voluntary Registration for VAT

You may want to voluntarily register for VAT if:

- 1) Your customers/clients are VAT registered, so can reclaim the VAT you charge them
- 2) You want to reclaim the VAT on goods and services your business purchases



How to for VAT

You will be asked for a few details:

- Your company registration number
 - Business bank account details
 - Your company UTR (unique tax reference)
 - Details of your annual turnover
-
1. A 9 digit VAT registration number
 2. Information on when to submit your first VAT return and payment
 3. Confirmation of your registration date



Pre-registration VAT

Processed as if on the effective date of registration via a journal

- 1) Goods – where the goods remain on hand at the date of registration and will be used in the newly registered business. The goods must have been purchased within 4 years of registration
- 2) Services – purchased within 6 months of registration



VAT Schemes

- Standard - Accrual

Takes the invoice and receipt dates for the quarter in question for calculation of VAT liability

	Net	VAT	Gross
Sales in period	£10k	£2k	£12k
Purchases in period subject to VAT	£2k	£0.4k	£2.4k
Difference	£8k	£1.6k	£9.6k

You pay over £1.6k on or before the VAT due date



VAT Schemes

- Cash VAT

Takes the of monies going into and out of the bank, dates for the quarter in question for calculation of VAT liability

	Net	VAT	Gross
Sales receipts in period	£10k	£2k	£12k
Purchase payments subject to VAT	£2k	£0.4k	£2.4k
Difference	£8k	£1.6k	£9.6k

You pay over £1.6k on or before the VAT due date



The Flat Rate Scheme

- Turnover must be £150,000 in the next 12 months or less excluding VAT to join the scheme
- If your turnover is more than £230,000 including VAT, you must leave the scheme
- No VAT on purchases can be recovered except certain capital purchases over £2,000
- VAT amount calculated as follows:
 1. Take sales for the quarter including VAT as normal
 2. Multiply by your flat rate
 3. Pay over this amount of VAT
 4. Fill in VAT return sales boxes and VAT owed boxes only



The Annual Accounting Scheme

- Submit just 1 VAT return per year
- Pay monthly towards your bill throughout the year
- First year is estimated, then a balancing figure may require an additional payment or refund when the return is submitted



Monthly returns

- Submit every month
- Pay or reclaim every month
- Large businesses must do these (greater than £2.3m VAT liability per year)



Other schemes

VAT Schemes for Retail businesses or those selling second hand goods.

- 1) Margin Scheme
- 2) Point of Sale Scheme
- 3) Apportionment Scheme
- 4) Direct Calculation Scheme

VAT scheme for tour operators – Tour Operators Margin Scheme TOMS



Who cannot join schemes

- You left the scheme in the last 12 months
- You committed a VAT offence in the last 12 months
- You joined (or were eligible to join) a VAT group in the last 24 months
- You registered for VAT as a business division in the last 24 months
- Your business is closely associated with another business
- You've already joined another scheme



Direct Debit

- If you sign up to pay your VAT via direct debit, you will be given an additional few days to pay your VAT, as the direct debit won't be requested until the due date, but collection will be a few days later (3 working days).



De-registering for VAT

You must cancel your VAT registration if you are no longer eligible to be VAT registered. For example:

- You stop trading or making taxable supplies
- You join a VAT group

You must cancel within 30 days or you may be charged a penalty

If your turnover falls below £88k, you can ask HMRC to cancel your registration, unless

- You and your business are based outside the UK
- And you supply any goods or services to the UK (or expect to in the next 30 days)



VAT Rules

Sales

- 1) You must charge VAT on everything you sell once you are VAT registered, and it is down to you to know what rate to charge these goods and services at.
- 2) You must display your VAT registration number on your sales invoices
- 3) You should display the VAT rate you are charging on your sales invoices



VAT Rules

Purchases

- 1) You must have receipts for all expenses where you are looking to reclaim the VAT
- 2) The VAT you reclaim must match the amount on the VAT invoices you have saved
- 3) If you do not have a valid VAT receipt, you cannot reclaim the VAT and must process it with zero rated VAT – even if the goods or services you have purchased are subject to VAT



VAT Rules

Other

- 1) You must keep records for 6 years, plus the year that you are in, in case HMRC ask to see them.
- 2) You must account for VAT on any goods you import into the UK
- 3) You must file a VAT return either quarterly, monthly or annually
- 4) If you charge more VAT that you have paid, then you must pay the difference to HMRC
- 5) You can appoint an agent to deal with HMRC on your behalf for VAT



Examples of standard rated supplies

- Most goods and services are charged at the standard rate of 20%



Examples of zero-rated supplies

- Books and newspapers
- Children's clothes and shoes
- Motorcycle helmets
- Most goods you export
- Charity shops selling donated goods
- Equipment for disabled people
- Sanitary products
- Modifications to residential property for disabled people
- New Build residential property



Exceptions to zero rated rules

- Food and drink for human consumption is usually zero rates unless it is:
 - Catering
 - Alcoholic drinks
 - Confectionery
 - Crisps and savoury snacks
 - Hot food
 - Sports drinks
 - Hot takeaways
 - Ice cream
 - Soft drinks and mineral water
 - Any food eaten on the premises of a restaurant



Examples of exempt supplies

- Betting and gaming
- Admission to museums and zoos etc
- Medical treatment provided by a hospital, hospice or nursing home
- Doctors, dentists, opticians etc
- Educational training provided by an eligible body
- Public postal services provided by royal mail



Examples of reduced rate supplies

- Utilities
- Energy saving materials if installed permanently in residential properties
- Mobility aids for the elderly
- Nicotine patches and gum
- Radiators
- Boilers



Examples of out of scope

- Voluntary donations to charity
- Payroll



CIS reverse charge for VAT

Fundamentally if the following apply, then you do not charge VAT, but use the reverse charge rules:

- The supply falls within the scope of CIS
- The supply would ordinarily be standard rated
- The customer is VAT registered
- The customer is registered for CIS
- The customer is not an end user



CIS reverse charge for VAT

- Statement advising your customer (or contractor) that the reverse charge rules apply, stating the amount of output VAT to be applied.
- Your customer (or contractor) will need to include that amount on their VAT return.
- But you will not include anything on your VAT return about the reverse charge.



CIS reverse charge for VAT

- If the above do not apply, then you must charge VAT as normal.



Place of Supply

- If the place of supply is deemed to be inside the UK, then normal VAT rules apply
- If the place of supply is outside the UK, then no UK VAT is chargeable
- There are different rules depending on whether you are supplying services to consumers or businesses. If you are supplying a business, then they should supply you with their VAT number



Tax point for VAT

Either:

1. Payment made
2. Date of invoice

Whichever is the earliest



Making Tax Digital for VAT

1. Must keep digital records
2. Must file VAT returns digitally





**One to One support is available –
email Joseph**

Thank

You



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