

THE
Bookkeepers
SUMMIT 2011



**THE INSTITUTE
OF CERTIFIED
BOOKKEEPERS**



BARRY HINCKS

QDOS CONSULTING LTD

TODAY

1. Flat Rate Scheme
2. Overseas Services
3. ESLs

VAT: Flat Rate Scheme

Joining to scheme

- Value of Taxable Sales (Ex VAT) in year then beginning not to exceed £150,000
- Complete VAT Form 600 (FRS)

Cannot join if:

- Tour operator
- CGS adjustments required
- 2nd Hand margin schemes used
- Associated with another

If during 12 months before wanting to join:

- Convicted of an offence
- Made payment to compound proceedings
- Incurred penalty for VAT evasion
- Ceased to operate FRS

Sales

Three ways to calculate:

- Basic Method - VAT Inc sales made
- Cash Based - VAT Inc sales paid for
- Retailers - VAT Inc daily takings + any other income

Sales to include:

- VAT inc sales (Standard/Zero/Reduced Rate)
- Exempt sales (E.G. Rent)
- Value of supplies to other EU countries
- Value of capital goods where no input tax claimed

Sales to exclude:

- Non business income (e.g. grants)
- Sales outside the scope (e.g. those supplied
 - Where received (B2B)
 - Services to overseas clients)
- Sales capital good where input tax claimed
- Reverse charge services from overseas

Bank interest:

- Include or not to include
 - Personal view should not include
 - HMRC said always considered it should be
 - HMRC advice line depended on who you spoke to
 - Some say yes whilst others say no (split 50-50)
 - VAT tribunal----the Thexton Training Ltd
 - Interest core part of business---include
 - Passive part of business----exclude
-
- If included in past claim back 4 years

VAT Return completion:

Box 1 VAT based on flat rate %

Box 1 VAT on sales outside FRS

Box 1 VAT on reverse charge services from overseas

Box 2 VAT (acquisition VAT) on goods from other EU countries

Box 4 VAT on capital purchases over £2000 (inc VAT)

Box 4 VAT on stocks & assets when joining FRS

Box 4 VAT on reverse charge services from overseas

VAT Return completion:

- Box 6 Flat rate turnover inc VAT
- Box 6 Value (ex VAT) of capital sales outside FRS
- Box 7 Value (ex VAT) of sales capital purchases on which VAT reclaimed
- Box 7 Value (ex VAT) of purchases from other EU countries
- Box 8 Value of goods sold to other EU countries
- Box 9 Value of good from other EU countries

Annual accounts

- Gross sales less flat rate VAT accounted for
- Gross purchases (i.e. include irrecoverable VAT)

Leaving FRS

- Anniversary of joining
- Sales in previous 12 months exceeded £230,000
- Sales in next 30 days expected to be over £230,000
- Start use another special method (e.g. 2nd hand scheme/TOMS)
- Eligible to join VAT group/divisional regn/associated
- Naughty boy

Example 1

Labour only building contractor (materials less than 10% of relevant turnover)

Turnover (ex VAT) last accounts	£120,000
VAT	£24,000
VAT on FRS (14.5%)	£20,880
Gain	£3,120

Gain taxable yes or no

Example 2

Labour only building contractor

Turnover (ex VAT) last accounts	£120,000
Zero rated turnover	(£60,000)
VAT	£12,000
VAT on FRS (14.5%)	£19,140
Loss	£7,140

Pros & Cons

Pros

- Easier bookkeeping
- No need to record sales/purchases separately
- 1% discount (first year of VAT registration)
- Peace of mind, know liability to VAT

Cons

- VAT on non standard rated income reduced rate/zero/exempt) - might not be for you
- No VAT recovery



Overseas Services

Place of Supply

From 1 January 2010 & 1 January 2011

- B2B services mainly supplied where customer belongs (General rule)
- B2C services mainly supplied where supplier belongs

Examples B2B

- Accountancy services;
- Advertising services;
- Consultancy services;
- Legal services (other than land related);
- Hire of goods (other than transport);
- Grant of any right (other than land related);
- Electronically supplied services;
- Work on or valuation of goods.

Exceptions

- Land related services;
- Passenger transport;
- Admission to events;
- Restaurant services/catering;
- Short term hire of transport.
- Work on or valuation of goods (B2C)
or
- Where customer is outside EU and goods removed from EU

B2B Treatment

- Outside scope of UK VAT to overseas;
- EU customer accounts for VAT on own VAT return (reverse charge procedure)
- Invoice narrative: subject to reverse charge (prompt);
- ESL requirement

B2C Treatment

- EU customer: UK VAT;
- Work on goods where work takes place;
- Non EU customer: Unless included in exceptions, outside scope

Miscellaneous

- VAT Registration - value outside scope supplies excluded;
- Flat Rate Scheme - value of outside scope supplies excluded

Examples

- UK IT contractor B2B French client;
- UK Lawyer B2C USA client;
- UK advertising B2B UK client in Australian magazine client;
- UK lawyer B2B UK client land in Spain;
- French consultant B2B UK client.
- UK consultant B2C German client.
- UK trader repairs goods in Spain for UK client

ESL Requirement Services

Information Required (VAT 101)

- Customers VAT number
- Total value in sterling
- Customers country code
- Code 3 in indicator box
- Submit quarterly (due date 14 days or 21 electronically)

Penalties

Failure to submit

- HMRC may issue a Notice
- If not then submitted within 14 days
- Then £5 to £15 daily penalty

Inaccurate

3 or more ESLs with material errors liable to £100 fine

- Incorrect VAT number
- Incorrect values
- Missing data

Enough about VAT for one day

Questions

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