VAT: Obligations and Opportunities

WK Accountants Forum
Amersham
22 September 2015
Topics to be Covered

• VAT Registration
  • Obligation to register
  • Opportunity to register voluntarily

• VAT Liability of Income Received
  • Obligation to charge VAT
  • Opportunity to take advantage of reliefs

• Submission of VAT Returns
  • Obligation to submit VAT returns
  • Opportunity to take advantage of special schemes

• Getting the Basics Right
  • Obligation to issue VAT invoices
  • Opportunity to defer tax points
Topics to be Covered (cont’d)

- What if you get it wrong?
  - Obligations to make disclosures
  - Opportunity to mitigate penalties

- Input tax restriction
  - Partial exemption
  - Business/Non-business

- Topical issues

- Any Questions?
VAT Registration

- There is an **obligation** to register for VAT if ‘taxable turnover’ is in excess of £82,000 (from 1 April 2015) in either:
  - the last twelve months; or
  - the next 30 days
VAT Registration

• There is an opportunity to register for VAT voluntarily provided HMRC are satisfy that the trader is:

  ▪ Carrying on a business; and,

  ▪ Making, or will make, ‘taxable supplies’ in the future
VAT Liability of Income Received

- There is an obligation to determine the correct VAT liability of any income received and account for VAT on income from ‘taxable supplies’ made from the date of VAT registration

  - Getting it wrong can be expensive
Once registered, there is an opportunity not to charge VAT if the activity to which the income relates is covered by any of the special reliefs:
- Zero rate
- Exemption from VAT
- Outside the scope of VAT

There is an opportunity to charge less VAT if the activity to which the income relates is covered by the reduced rate relief.
Submission of VAT Returns

• Once registered, there is an obligation to submit a VAT return periodically to HMRC. These are:

  • Normally quarterly but can be monthly
  • Due at the end of the month following the period end
  • On-line submission now compulsory
  • 7 – day concession
Submission of VAT Returns

• Once registered, there is an **opportunity** to submit VAT returns using one of the special schemes allowed by HMRC. These include:
  
  – Annual Accounting
  – Cash Accounting
  – Flat Rate Scheme
VAT: Flat Rate Scheme

- Illustration: ABC Property Management Services Ltd
- Income received: £100k plus £20k VAT
- FRS: 12%
- Output VAT to be accounted for: £14.4k

Saving: £5.6k (less any VAT on costs incurred)
There is an **obligation** to account for VAT when a ‘tax point’ arises. Ordinarily, this is the earliest of:

- Completion of service or delivery of goods
- Receipt of payment; or
- Issue of a VAT invoice

- **Watch out for:** deposits taken
- **Consider:** 14 day rule
Getting the Basics Right

• There is an opportunity to defer accounting for VAT in certain circumstances. Consider the following:
  – Extension of 14 day rule
  – Special rules for continuous supplies of services
  – Cash accounting scheme
  – Non specific VAT periods

• Consider: 7 day concession
  Direct debit payment
What if it Goes Wrong?

• **There is an obligation** to disclose any errors made on previous VAT returns. Consider the following:

  – Monetary limits
  – Procedure for dealing with HMRC
  – Penalties and interest due
What if it Goes Wrong?

• There is an opportunity to mitigate any penalty or interest due on errors made on previous VAT returns. Consider the following:
  
  – ‘Reasonable excuse’
  – Visits from Assurance Officers and dealing with HMRC
Input Tax Restriction

• Partial Exemption
  – Income which is exempt from VAT may result in an obligation to restrict input VAT incurred on related expenditure. Consider the following:
    • Direct costs incurred
    • ‘Overhead’ expenditure
    • Method of restriction

• Business/Non-Business
Partial Exemption – De Minimis

- Businesses that are ‘partly exempt’, may have an opportunity to reclaim input tax in full provided the amounts involved are ‘de-minimis’:
  - Less than £7,500 per annum; and
  - 50% of total input tax
Changes

1 January 2015

• Electronically supplied services to consumers (B2C)
  – Broadcasting (e.g. audio and audiovisual)
  – Telecommunications (e.g. fixed and mobile services)
  – Electronic services (automated services involving minimal human intervention)

• Mini One Stop Shop (MOSS)
  – Special scheme
    • EU businesses
    • Non EU businesses
Questions?

Ross Bartholomew
T: +44 (0)20 7403 1877
D: +44 (0)20 7234 3483
M: 07879 605139
E: ross.bartholomew@wilkinskennedy.com

Jan Atkinson
T: +44 (0)20 7403 1877
D: +44 (0)20 7234 3426
M: 07795 485629
E: jan.atkinson@wilkinskennedy.com