

VAT changes 1st January 2010



VAT.
What's different, who's affected,
and what you need to do.



There will be three important changes to VAT next year.

The standard rate of VAT was temporarily reduced to 15 per cent on 1 December 2008 and it will return to its previous level of 17.5 per cent on 1 January 2010.

For any sales of standard-rated goods or services that you make on or after 1 January 2010 you must charge VAT at the rate of 17.5 per cent. If you have a cash business and calculate your VAT using the VAT fraction you must revert to the VAT fraction of seven fortysevenths from 1 January 2010.

The change only applies to the standard VAT rate. There are no changes to sales that are zero-rated or reduced-rated for VAT. Similarly, there are no changes to the VAT exemptions. Any sales you make at these rates are unaffected by this change.

What you should apply the new rate to:

- All takings received on or after 1 January 2010
- All VAT invoices you issue to other VAT registered businesses on or after 1 January 2010.

However, there are a few exceptions to the rule:

- You should account for 15% on all takings received on or after 1 January 2010, where they relate to goods customers took away with them or that you have delivered before 1 January 2010.
- You should also account for 15% on VAT invoices where you provided goods or services before 1 January 2010 but don't invoice customers until after that date.
- There are also special rules that can be applied to services beginning before 1 January 2010, but completed after that date.
- For all other special cases, such as cash and annual accounting schemes, please check on the HMRC website for more information (details of the new flat rate scheme will also be published on the HMRC website).

If you want to know more please visit www.hmrc.gov.uk/vat

The above information has been extracted from HM Revenue & Customs advice guides



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