



elsby & co
chartered accountants



VAT CHANGES BULLETIN—From 1st December 2008.

The standard vat rate changes from 17.5% to 15% on **Monday 1st December**. This has given you just 4 working days to put in place the changes required to ensure that you can account correctly for VAT. This bulletin is geared to providing some quick practical advice. Please feel free to contact us if you would like additional assistance from us.

1. HMRC Guidance

- National advice service helpline 0845 010 9000
- HMRC website at www.hmrc.gov.uk
- The following link is probably the most useful as it takes you to the HMRC page dedicated to the changes—
<http://www.hmrc.gov.uk/pbr2008/measure1.htm>

2. Till systems and Accounting Software

These will need to be changed to ensure that they are able to cope with the changes. Either contact your software supplier directly or visit their website to find out what they are doing to implement the changes. We have obtained the following advice from Sage, TAS and Quickbooks. Email clare@elsbyandco.co.uk for further details.

Sage: have issued support articles nos: 22856 & 22857

TAS: will have a download available on the TAS website on Friday www.tassoftware.co.uk

Quickbooks: customers need to ring support helpline on 0845 606 2161 for individual advice.

3. Retailers / VAT inclusive supplies

- New vat fraction of 3/23 will apply to calculate vat on vat inclusive supplies (where the vat rate is shown as 15% but the actual vat charged is not separately disclosed)
- HMRC have announced that to pass on the vat reduction to consumers vat inclusive prices should be reduced to 46/47 of the original price. *However it is up to the retailer to decide whether to reduce prices or not.*

4. VAT Invoices

- Invoices issued from 01/12/08 should charge 15% vat for standard rated supplies
- There can be issues if the actual supply of goods or services takes place before 01/12/08 but the invoice is issued and dated after 01/12/08 and vice versa so seek further guidance if this applies to you
- There also can be issues where deposits have been received prior to 01/12/08 - again seek further guidance

5. Cash Accounting

- For supplier payments made after 01/12/08 but relating to supplies invoiced before 01/12/08 you will claim vat at 17.5% if standard rated and for receipts from customers after 01/12/08 which relate to sales invoices issued before 01/12/08 you will pay over vat at 17.5% if standard rated
- Where the payments and receipts after 01/12/08 relate to invoices dated after 01/12/08 then the new 15% rate applies

6. Flat Rate Scheme

New flat rate scheme percentages will apply from 01/12/08. Not all the percentages have been changed by HMRC and you will need to check the percentage you use.

7. VAT return periods spanning 01/12/08

If your vat return period spans 01/12/08 (e.g. 3 months to 31/12/08) you need to ensure that your calculations apply the old rate to the period up to 30/11/08 and the new rate from 01/12/08.

