

Press Release

17 December 2009

VAT back to 17.5%

The temporary reduction in the basic rate of VAT to 15% is about to end. From 1 January 2010 we are back to 17.5%.

Local accountants Armstrong Watson have provided a list of useful tips to help VAT registered businesses cope with the change.

Val Vince and Tim Fife, VAT specialists at Armstrong Watson, advise, "Businesses which use accounts software should ensure they change the basic rate VAT band back to 17.5%. This simple process will no doubt be far from simple; hopefully your software provider will provide detailed instructions".

Important points to look out for:

- The VAT fraction to use when an invoice includes VAT and you want to know the VAT figure within the charge is 7/47 with a rate of 17.5%. Example - £235 including VAT – VAT amount is $£235 \times 7/47 = £35$
- If you want to increase prices to pass on the VAT increase to customers (e.g. if you are a retailer), then the mathematical formula is to multiply the current VAT inclusive price by 47/46. Example - $£115 \times 47/46 = £117.50$.
- Don't forget that any credit note or refund given to a customer is based on the same rate of VAT that was charged on the original sale. The same principle applies to VAT claimed on bad debts. Example – goods bought on 1 December are returned on 5 January and a full credit note is given. The credit note will adjust VAT based on 15% i.e. the same rate of tax that applied when the goods were bought the previous month.
- If you use the flat rate scheme, the flat rate percentages will change on 1 January.

Val Vince and Tim Fife also advise, "Complications can arise if you supply and receive payment for sales that straddle the 31 December cut off. For example if you are a builder you may have completed two-thirds of a VAT able job by the year end but invoice for the work in January. If you find yourself in that position Armstrong Watson is happy to deal with your enquiries direct".

For more information contact Val Vince or Tim Fife of Armstrong Watson on freephone 0808 144 5575

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