



VAT BREAKFAST HEADLINES

4 JANUARY 2011 - Are you prepared?

As we now enter the holiday season, we have one eye on our summer break. Planning for the break could well have started at the beginning of the year to ensure all the arrangements and preferences are as we would like them to be and to be sure of no last minute panic.

With the increase in VAT to 20% from 4 January 2011 should we not be making plans to ensure we are prepared for the change in rate? Without considering the effect of the change there could well be some missed opportunities. Therefore, we outline some basic principles.

VAT at the appropriate rate is charged when goods are delivered to a customer or a service is performed – this is known as the “basic tax point”.

In certain circumstances, although the basic tax point may fall on or after 4 January 2011, an earlier tax point could be crystallised to take advantage of the existing rate of VAT (17.5%). This could be achieved by bringing forward the issuing of a VAT invoice or receiving payment prior to the supply of the goods or services.

In situations where the basic tax point is created before 4 January 2011 but the VAT invoice is issued or payment is received on or after 4 January 2011, it is possible that the VAT rate of 17.5% can be applied rather than the 20% rate.

There are situations where a supplier is continually supplying services to its customers, in which case supplies will straddle 4 January 2011. In these circumstances it is possible to apportion the value of the supplies made so that supplies made up to 3 January 2011 would be subject to the VAT rate of 17.5% and supplies made from 4 January 2011 attract a VAT rate of 20%. However, HMRC would expect evidence to support the value apportionment.

As one would expect, HMRC have introduced anti-avoidance provisions to restrict businesses taking advantage of the 17.5% VAT rate after 4 January 2011. However, all is not lost as an understanding of the somewhat complex anti-avoidance provisions will still enable some businesses to take advantage of the 17.5% rate. We would be happy to guide you through these complexities to ensure that you do not fall foul of any provisions when planning to apply the tax point rules.

Something to consider during your summer break!

The Rawlinson & Hunter VAT consultancy advises on domestic and international transactions. We regard VAT as a key tax for many of our clients, which is why our service in this area is led by a highly experienced and senior member of the tax team with a proven track record of negotiation success on a range of VAT matters. Our aim is to provide commercially realistic advice and practical solutions to your VAT problems. We believe that VAT should be an important part of the wider tax planning for most businesses.

Our VAT Director, Nigel Medhurst, would be pleased to discuss your business and provide a view on your VAT efficiency. You can contact Nigel direct on 020 7842 2150 or email nigel.medhurst@rawlinson-hunter.com for an initial consultation to assess whether there is a need to consider your VAT affairs in more detail.

Experience has shown that by considering VAT early on, businesses can keep one step ahead which can pay considerable dividends later on.

The information contained in this bulletin does not constitute advice and is intended solely to provide the reader with an outline of the provisions. It is not a substitute for specialist advice in respect of individual situations.

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Eighth Floor
6 New Street Square
New Fetter Lane
London EC4A 3AQ

and at
Lower Mill
Kingston Road Ewell
Surrey KT17 2AE

T +44 (0)20 7842 2000
F +44 (0)20 7842 2080

firstname.lastname@rawlinson-hunter.com
www.rawlinson-hunter.com

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Rawlinson & Hunter
Chartered Accountants

Partners

Philip Prettejohn FCA
Bob Drennan FCA
Simon Jennings FCA
Chris Bliss FCA
Mark Harris FCA
Frances Stephens ACA
David Barker CTA
Kulwam Nagra FCA
Ben Melling FCA
Paul Baker ACA
Sally Ousley CTA
Derek Rawlings FCA
Andrew Shilling FCA

Directors

Mike Cunningham ACA
Craig Davies ACA
Karen Doe
Nigel Medhurst AIT
Graham O'Connell ACA

Consultants

Ken Dent FCA
Ralph Stockwell FCA