

The Essentials of UK VAT

Course book



...market leaders for VAT training

Course book

This document contains the text of the PowerPoint displays that are used during the online presentation of the course

The Essentials of UK VAT

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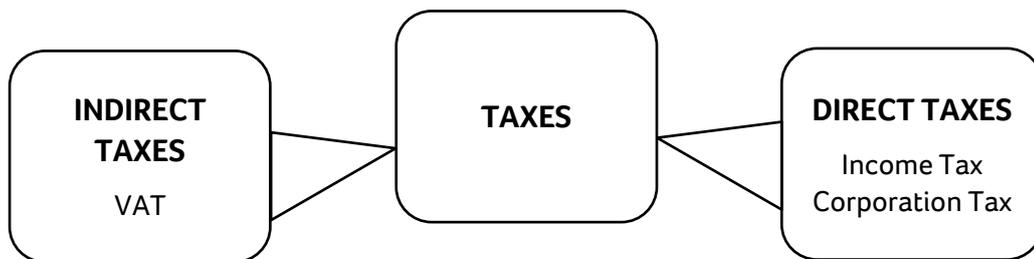
The Essentials of UK VAT – Day 1

Session 1: What is VAT?

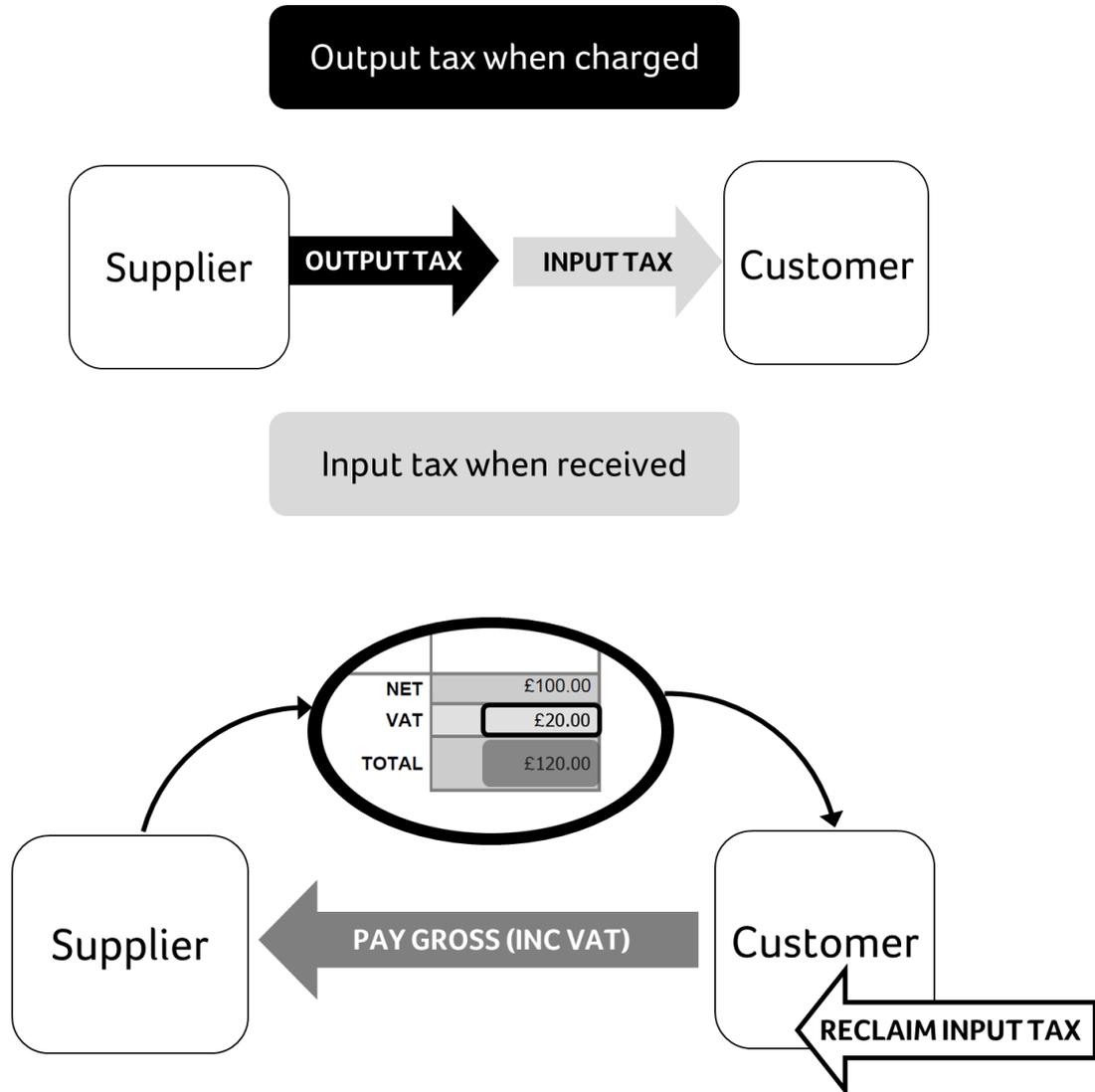
WHAT IS VAT?

- Value
- Added
- Tax

“A tax which is imposed on most goods and services at each stage of production, starting from raw materials to the final product.”



HOW DOES VAT WORK?





SUPPLY CHAIN – STANDARD RATED SUPPLIES

		VALUE ADDED	PAYABLE OUTPUT TAX	RECLAIMABLE INPUT TAX	NET PAYABLE
	Supplier to Manufacturer				
	Goods	£400			
	VAT @ 20%	£80			
	Total	£480			
	Manufacturer to Wholesaler				
	Goods	£1000			
	VAT @ 20%	£200			
	Total	£1200			
	Wholesaler to Retailer				
	Goods	£1800			
	VAT @ 20%	£360			
	Total	£2160			
	Standard rate to Consumer				
	Goods	£3000			
	VAT @ 20%	£600			
	Total	£3600			
				TOTAL VAT	£600

WHAT ARE SUPPLIES OF GOODS AND SERVICES?

- **Supply** - Anything done for a consideration
- **Goods** – Transfer of title
- **Services** – Done for consideration but not supply of goods
- **Consideration** is payment – usually in the form of money



WHAT ARE SUPPLIES OF GOODS AND SERVICES?

Why do we need to know whether a supply is goods or services?

- Overseas transactions
- Time of supply
- Free supplies

SUMMARY

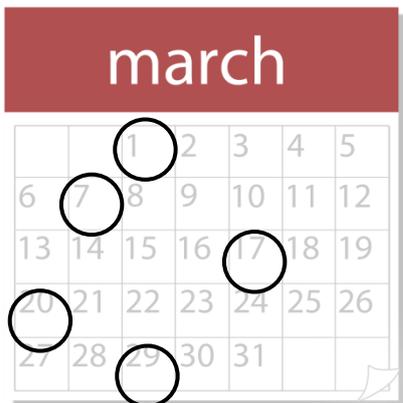
- What is VAT and how does it work?
- When do you charge VAT?
- When do you pay VAT?
- How do you define goods and services?

Session 2: VAT Rates

WHEN IS VAT PAYABLE ON SUPPLIES?

- Is the supply in the UK or Isle of Man?
- Is the supplier a taxable person?
- Is the supplier in pursuit of business?

WHAT DOES 'IN PURSUIT OF BUSINESS' MEAN?



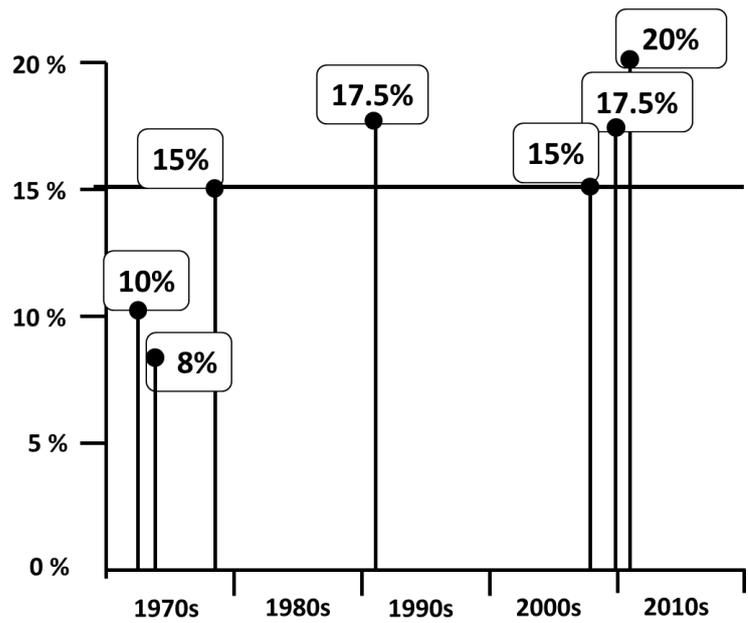
“... to be in business you have to be doing something on a **continuous basis**, have had a series of linked supplies and have sound business principles.”



WHEN IS VAT PAYABLE ON SUPPLIES?

- Is the supply in the UK or Isle of Man?
 - Is the supplier a taxable person?
 - Is the supplier in pursuit of business?
- } = Subject to UK VAT

THE RATE OF VAT





THE RATE OF VAT

Parameters set by the EU say the standard rate can't go below 15%.

Country	Standard rate	Country	Standard rate	Country	Standard rate
Austria	20%	Belgium	21%	Bulgaria	20%
Croatia	25%	Cyprus	19%	Czech Republic	21%
Denmark	25%	Estonia	20%	Finland	24%
France	20%	Germany	19%	Greece	24%
Hungary	27%	Ireland	23%	Italy	22%
Latvia	21%	Lithuania	21%	Luxembourg	17%
Malta	18%	Netherlands	21%	Poland	23%
Portugal	23%	Romania	19%	Slovakia	20%
Slovenia	22%	Spain	21%	Sweden	25%
United Kingdom	20%				

THE RATE OF VAT

- Standard Rated
- Zero Rated
- Exempt
- Reduced Rated



ZERO RATED SUPPLIES

Businesses selling these goods may claim back their input tax (the VAT which they've paid to their suppliers).

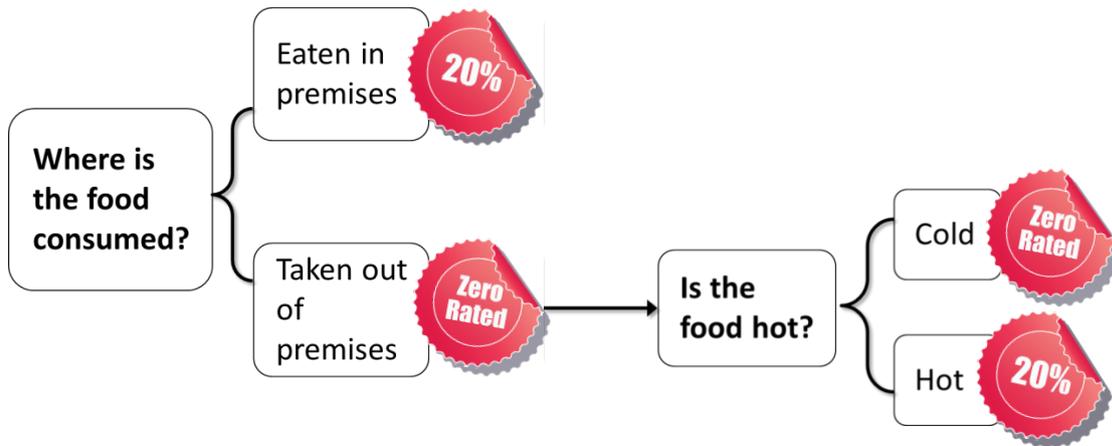
ZERO RATED SUPPLIES

- Food
- Sewerage services and water
- International Services
- Books
- Drugs, medicines, reliefs for people with disabilities
- Protected Buildings Charities
- Caravans and houseboats
- Construction of buildings
- Transport
- Clothing and footwear
- Bank notes
- Talking books for the blind and handicapped and wireless sets for the blind
- Gold – supplies between banks
- Tax-free shops

ZERO RATED SUPPLIES - *food*

- **Basic Rule**
Food = Zero Rated
- **Exceptions**
Confectionery, ice cream, drinks = Standard Rated

ZERO RATED SUPPLIES - *catering*





WHAT IS THE DEFINITION OF 'HOT' FOOD?

Hot when provided to customer and...

1. Heated for the purposes of enabling it to be consumed hot,
2. Heated to order,
3. Kept hot after heating,
4. Provided in heat retaining packaging, or
5. Marketed as hot food

DEFINITION OF 'PREMISES'

- Supplier's own premises AND
- Premises shared with other suppliers



ZERO RATED SUPPLIES - catering

Exception = Catering in education - **EXEMPT**

ZERO RATED SUPPLIES

- Protected Buildings

- Books

- Construction of buildings

- Transport



- Drugs, medicines, reliefs for people with disabilities

- Charities

- Clothing and footwear

Children's clothing must...

- fall under the accepted size limits
- be held out for sale to children



SUPPLY CHAIN – ZERO RATED SUPPLIES

		VALUE ADDED	PAYABLE OUTPUT TAX	RECLAIMABLE INPUT TAX	NET PAYABLE
Supplier to Manufacturer					
Goods	£400	400	80	NIL	80
VAT @ 20%	£80				
Total	£480				
Manufacturer to wholesaler					
Goods	£1000	600	200	80	120
VAT @ 20%	£200				
Total	£1200				
Wholesaler to Retailer					
Goods	£1800	800	360	200	160
VAT @ 20%	£360				
Total	£2160				
Zero rate to Customer					
Goods	£3000	1200	ZERO	360	(360)
VAT @ 0%	ZERO				
Total	£3000				
			TOTAL VAT	ZERO	

EXEMPT SUPPLIES

- Can't recover input tax
- Affects whether you register for VAT



EXEMPT SUPPLIES

- Sports, sports competitions and physical education
- Burial and cremation
- Land
- Fund raising events by charities and other qualifying bodies
- Education
- Betting, gaming and lotteries
- Postal services
- Health and welfare
- Supplies of goods where input tax cannot be reclaimed
- Insurance
- Investment gold
- Subscriptions to trade unions, professional and other public interest bodies
- Finance
- Cultural services
- Works of art

EXEMPT SUPPLIES - *land, commercial properties*

- Commercial property landlord can override the exemption and opt to tax
- Input tax on overheads can be reclaimed
- Once opted to tax you have to do so for 20 years



EXEMPT SUPPLIES

- Land

- Postal services

- Finance

EXEMPT SUPPLIES - *education*

Exempt	Standard Rated
<ul style="list-style-type: none">• Schools• Universities• Public sector organisation• Non profit organisation• Private tuition	<ul style="list-style-type: none">• Commercial organisation



EXEMPT SUPPLIES - *supplies of goods where input tax can't be reclaimed*

- The resale of cars is an exempt supply

SUPPLY CHAIN – EXEMPT SUPPLIES

		VALUE ADDED	PAYABLE OUTPUT TAX	RECLAIMABLE INPUT TAX	NET PAYABLE
Supplier to Manufacturer					
Goods	£400	400	80	NIL	80
VAT @ 20%	£80				
Total	£480				
Manufacturer to wholesaler					
Goods	£1000	600	200	80	120
VAT @ 20%	£200				
Total	£1200				
Wholesaler to Retailer					
Goods	£1800	800	360	200	160
VAT @ 20%	£360				
Total	£2160				
Exempt to Customer					
Goods	£3000	1200	N/A	NIL	NIL
VAT Exempt	-				
Total	£3000				
				TOTAL VAT	£360



REDUCED RATED SUPPLIES

- EU governments can charge a lesser rate of VAT on certain supplies

REDUCED RATED SUPPLIES

- Supplies of domestic fuel and power
- Residential conversions
- Smoking cessation products
- Installation of energy-saving materials
- Residential renovations and alterations
- Children's car seats
- Grant funded installation of heating equipment, security goods or connection of gas supply
- Contraceptive products
- Installation of mobility aids for the elderly
- Women's sanitary products
- Caravans
- Welfare advice or information



SCENARIO 1

A tannery supplies raw leather to a children's shoe manufacturer.

What rate of output tax should be applied to the leather?

SCENARIO 2

A landlord rents a building to a shop keeper and has opted to tax the building. Subsequently he sells it.

What rate of output tax should be applied to the sale of the building?

SUMMARY

- When is VAT payable?
- What are the different rates of VAT?
- What key supplies are exempt, zero and reduced rated?



Session 3: Registration

REGISTERING FOR VAT

- It's important to be aware of the registration threshold and whether a business should be registered for VAT.

WHO SHOULD REGISTER FOR VAT?

- Businesses whose taxable supplies exceed registration threshold **MUST** register
- Businesses can voluntarily register

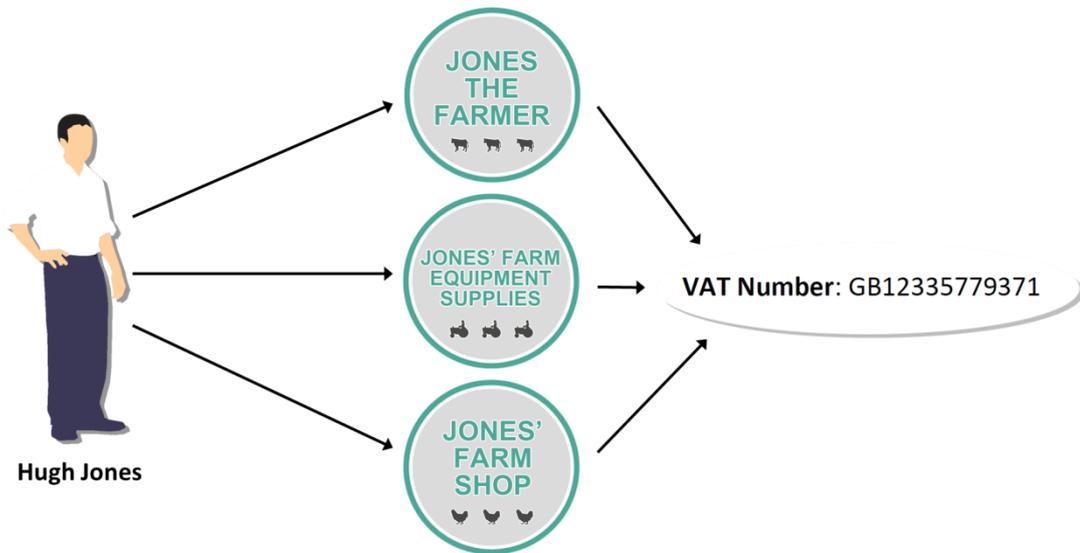
Registration threshold: £85,000

SCENARIO 3

Swanton Ltd calculates that, in the year to 30th June its standard rated supplies are £63,000, zero rated £15,000 and it's exempt supplies £8,000.

Must Swanton Ltd register for VAT?

VAT REGISTRATION





VAT REGISTRATION

- Organisationally
 - Economically
 - Financially
- } = SAME BUSINESS

SCENARIO 4

A husband and wife practise as tax consultants from the same office.

Will they be treated as separate businesses?

SCENARIO 5

A woman operates a beauty salon.

Her husband operates a hairdressing salon on a different floor of the same premises.

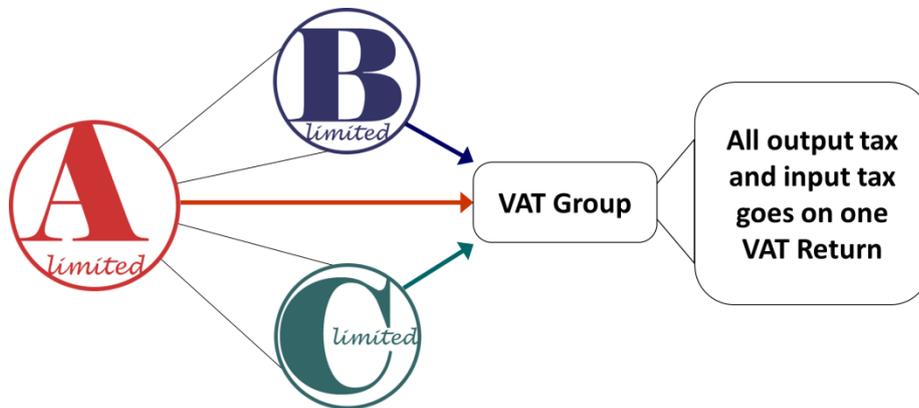
They have always traded separately.

Will they be treated as separate businesses?

WHEN CAN A BUSINESS DEREGISTER?

- If taxable supplies are about to fall below the deregistration threshold - **£83,000**
- If they have stopped making taxable supplies completely – they **must** deregister

GROUP REGISTRATION



SUMMARY

- What is the VAT registration threshold?
- When can you de-register?
- What is group registration?



Session 4: The Time of Supply

WHAT IS THE TIME OF SUPPLY?

- **Time of supply / Tax Point**

The date on which the transaction is considered to take place for VAT purposes

WHAT IS THE TIME OF SUPPLY?

- Determines when you account for supply on VAT return
- Determines the rate of VAT
- Influences VAT registration
- Affects recoverability of input VAT

TAX POINTS

- Basic Tax Point
- Actual Tax Point



THE BASIC TAX POINT

- **Goods** – When goods are delivered/collected
- **Services** – When the work is completed

Where there is a basic tax point, you must account for VAT

THE ACTUAL TAX POINT

Basic tax point is over-ridden when...

- tax invoice is issued before the basic tax point
- payment is received before basic tax point
- tax invoice is issued up to 14 days after basic tax point



THE ACTUAL TAX POINT

2018

VAT is accounted for when tax invoice is issued.

Jan	Feb	Mar	Apr
May	June	July	Aug
Sep	Oct	Nov	Dec



1st June - Goods delivered



10th May - Full tax invoice issued - ATP

2018

VAT is accounted for when deposit is paid.

Jan	Feb	Mar	Apr
May	June	July	Aug
Sep	Oct	Nov	Dec



Deposit paid in February – ATP



Holiday in June



THE ACTUAL TAX POINT

If the gap between the tax point and invoice is within 14 days, the invoice date becomes the actual tax point.

28th March - Goods delivered

5th April – Goods invoiced = ATP

THE ACTUAL TAX POINT - *advanced invoicing*

Tax point = Due date for each payment

2018			
Jan		Mar	Apr
	June	July	
Sep	Oct		Dec

2018			
Jan		Mar	Apr
	June	July	
Sep	Oct		Dec



SCENARIO 6

Some goods are sent to a customer on the 27th April. The invoice is then sent on the 3rd May.



When is the time of supply?

SCENARIO 7

Some goods are sent to a customer on the 27th April. The invoice is then sent on the 12th May.



When is the time of supply?



SUMMARY

- What is the time of supply?
- What is the basic tax point for goods and services?
- What is the actual tax point?

Session 5: Invoicing

WHEN MUST YOU SUPPLY A VAT INVOICE?

- Where there is VAT on supplies between VAT registered businesses a VAT invoice must be supplied
- It must be supplied within 30 days of the time of supply

No requirement to provide VAT invoice if...

- supplying non VAT registered business
- supply is fully zero-rated or exempt



WHAT ABOUT PROMPT PAYMENT DISCOUNTS?

- Before 1st April 2015 prompt payment discount applied to VAT whether customer took advantage of discount or not
- Since 1st April 2015 VAT is charged on the amount received and should be applied to the net amount before discount

MODIFIED TAX INVOICE

Similar to standard invoice apart from:

- VAT inclusive amount
- Amounts payable analysed into rates and gross/net amounts

Cobblers Ltd
21 ST JOHN'S PRECINCT, CHESTER CH1 2JA
VAT REG 871 2075 34

MR L. LEATHER
11 LLYN LANE
LLANGOLLEN
LL11 1LL

SALES INVOICE NO 2345
TAX POINT 5.3.18
INVOICE DATE 5.3.18

QUANTITY	DESCRIPTION AND PRICE	GROSS AMOUNT £
6	PAIR BROWN SHOES @ £60.00	360.00
12	PAIRS SHOELACES @ £2.40	28.00
2	PAIRS CHILDREN'S BLACK SHOES @ £25	50.00
		438.80
	VALUE OF STANDARD-RATED SUPPLIES INCLUSIVE OF VAT @20%	388.80
	VAT PAYABLE ON STANDARD-RATED SUPPLIES	64.80
	VALUE OF STANDARD-RATED SUPPLIES EXCLUSIVE OF VAT	324.00
	VALUE OF ZERO-RATED SUPPLIES	50.00

THANK YOU FOR SHOPPING AT COBBLERS LTD
PLEASE RETAIN YOUR RECEIPT



SIMPLIFIED TAX INVOICE – CONSIDERATION NO MORE THAN £250

- Supplier’s name, address and VAT no
- Tax point
- Description of goods
- Amounts payable inclusive of VAT
- Rates of VAT analysed out with gross amount for each

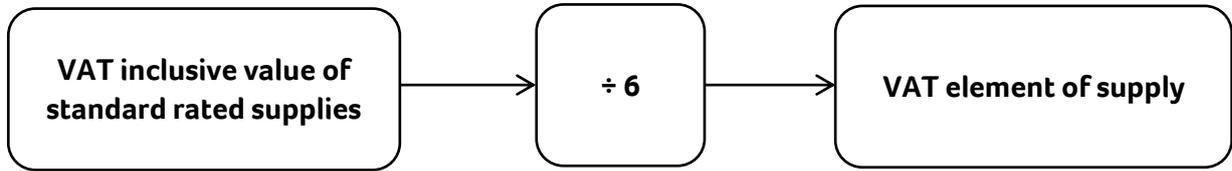
XYZ Ltd	
LUDLOW GATE, MILTON KEYNES	
TEL: 01901 111111	
VAT NO. 564992196	
11.46	19JUL18

DVD PLAYER	£117.50
DVD	£23.50
BOOK	<u>£30.00</u>
SUBTOTAL	<u>£171.00</u>
CASH	<u>£180.00</u>
CHANGE	<u>£9.00</u>
STANDARD RATED SUPPLIES AT 20%	£141.00
ZERO RATED SUPPLIES	£30.00
THANK YOU FOR SHOPPING AT XYZ LTD	
Please retain your receipt	



THE VAT FRACTION

The VAT fraction = 1/6th



XYZ Ltd	
LUDLOW GATE, MILTON KEYNES	
TEL: 01901 111111	
VAT NO. 564992196	
11.46	19JUL17

DVD PLAYER	£117.50
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ZERO RATED SUPPLIES	£30.00
THANK YOU FOR SHOPPING AT XYZ LTD	
Please retain your receipt	

1/6th of £141.00
= **£23.50**



WHAT IS A PRO-FORMA INVOICE?

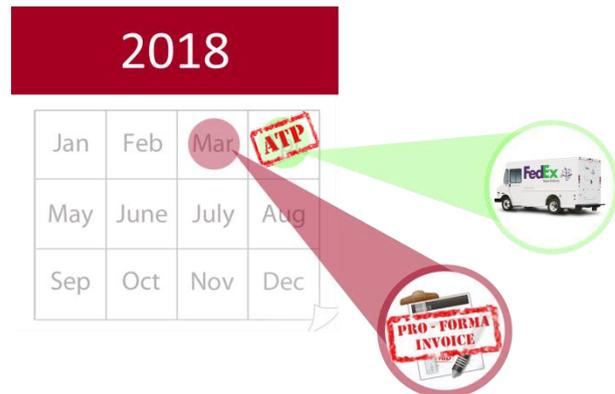
- A lawful and common way of delaying the tax point of a supply
- Why?
 - You want payment before supplying goods

PRO-FORMA INVOICES: PAYMENT BEFORE SUPPLY

Pro-forma invoice doesn't create tax point

Example

- March VAT quarter end
- Goods supplied in April
- Send pro-forma invoice in March
- Tax point is when goods are sent or payment received – whichever is earlier



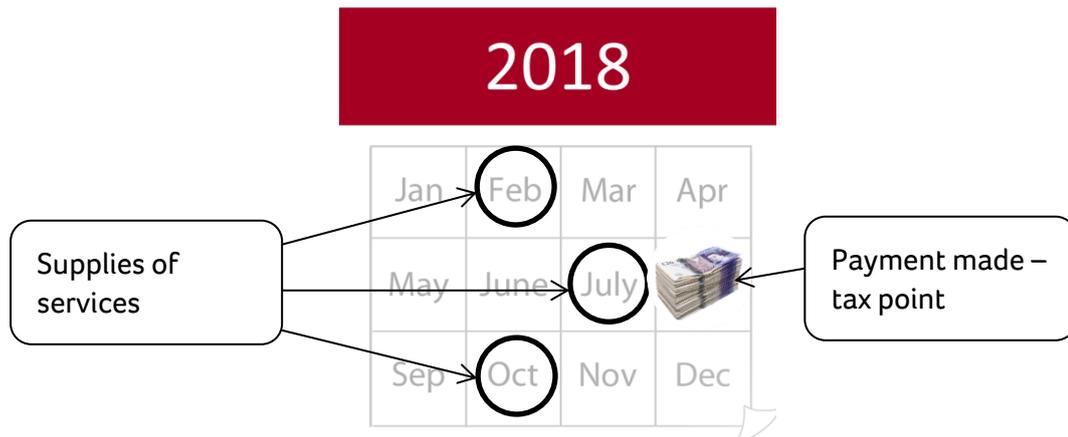


WHAT IS A PRO-FORMA INVOICE?

- A lawful and common way of delaying the tax point of a supply
- Why?
 - You want payment before supplying goods
 - **You are providing continuous supplies of services**

PRO-FORMA INVOICES: CONTINUOUS SUPPLY OF SERVICES

- The tax point is when the customer pays.
- A genuine tax invoice must be sent within 30 days of payment.



PRO-FORMA INVOICES

- The invoice must say, **'this is not a tax invoice'**



WHAT ARE SELF BILLING INVOICES?

- The customer prepares the invoice
- You need...
 - a written agreement (renewed every 12 months)
 - to forward a copy of the invoice to the supplier

SINGLE AND MULTIPLE SUPPLIES

- Postage (usually exempt) is included in main supply – an incidental cost

Accountancy advice	1,200.00	
Postage	20.50	
	1,220.50	
	VAT	244.10
		1,464.60



SINGLE AND MULTIPLE SUPPLIES

Delivery is included in main supply
as an incidental cost

Description	Amount £
Groceries	120.00
Delivery	4.95
SUB TOTAL	124.95
VAT RATE	0%
VAT	0
TOTAL	124.95

SCENARIO 8

A high street bookshop supplies books for £55. The customer requests that the books are posted to her. As a result the store adds a delivery charge of £4.

Quantity	Description & Price	Net Amount £
5	Oxford English Dictionary @ £11	55.00
	Delivery @ £4	4.00

Should VAT be added to the cost of delivery?



WHAT ARE DISBURSEMENTS?

- Payments to a third party on behalf of a client
 - stamp duty, estate agent fees, court costs
- You take the exact amount of the incidental cost and pass it on to the customer as part of the invoice – no VAT is added

Description & Price	Amount, £
Flat Deposit	300.00
Rent	450.00
SUB TOTAL	750.00
VAT RATE	20%
VAT	150.00
TOTAL	£900.00
Disbursements:	
Estate Agent's fees	250.00
	£1150.00

Description & Price	Incidental	Disbursements
	Amount, £	Amount, £
Booking Fee	200.00	200.00
Rental	600.00	NIL
SUB TOTAL	800.00	200.00
VAT RATE	20%	20%
VAT	160.00	40.00
TOTAL	£960.00	£240.00
Disbursements:		
Rental		600.00
		£840.00

A booking agency invoices a customer £200 for its fee for booking a holiday cottage and £600 for the rental of the cottage.

The rent is then paid by the agency to the owner of the cottage.



Session 6: The VAT Return

THE VAT RETURN

- Shows amount of VAT owed to HMRC or amount to be repaid by HMRC
- Submitted quarterly
- Can be submitted monthly for quicker repayments

HOW DO YOU SUBMIT THE VAT RETURN?

- Online with very few exceptions
- Payment is due electronically
- Up to a 7 day extension
- Extension does not apply to companies making payments on account



EXAMPLE – ENGEL LTD

Engel Ltd has the following transactions in the quarter ended 31 March.

	Net (£)	VAT (£)
Income:		
Standard Rated	30,000	60,000
Reduced Rated	10,000	500
Zero Rated	20,000	0
Exempt	15,000	0
Grant	5,000	0
Insurance Claim	2,000	0
Expenditure		
Trade Purchases	250,000	40,000
Wages and Salaries	30,000	-
Rates	2,000	-

What would go in boxes 1, 3, 4, 5, 6 and 7 of the VAT return?

VAT due in this period on sales and other outputs (Box 1): *	<input type="text"/>	← £60,000 + £500 = £60,500
VAT due in this period on acquisitions from other EC Member States (Box 2):	<input type="text"/>	
Total VAT due (the sum of boxes 1 and 2) (Box 3): Calculated value		← £60,500 (Sum of 1 and 2)
VAT reclaimed in this period on purchases and other inputs, (including acquisitions from the EC) (Box 4):	<input type="text"/>	← £40,000 (VAT due on purchases)
Net VAT to be paid to HM Revenue & Customs or reclaimed by you (Difference between boxes 3 and 4) (Box 5):	Calculated value	← £20,500 (Net VAT)
Total value of sales and all other outputs excluding any VAT. Include your box 8 figure (Box 6):	<input type="text"/> Whole pounds only	← £345,000 (total sales)
Total value of purchases and all other inputs excluding any VAT. Include your box 9 figure (Box 7):	<input type="text"/> Whole pounds only	← £250,000 (total trade purchases)
Total value of all supplies of goods and related costs, excluding any VAT, to other EC Member States (Box 8):	<input type="text"/> Whole pounds only	
Total value of all acquisitions of goods and related costs, excluding any VAT, from other EC Member States (Box 9):	<input type="text"/> Whole pounds only	



SCENARIO 9

- A company receives goods on **27th September**
- They receive an invoice for goods, dated **15th October**
- They prepare quarterly returns. Submit September return on **20th October**



Which return can they recover input tax?

WHAT ARE BAD DEBTS?

- Invoices that haven't been paid and are very unlikely to ever be paid



BAD DEBTS - *suppliers point of view*

- 6 months past due date - debt not paid
- Supplier can write off debt & reclaim £200

sterling, including pence, for example 100

on

on **sales** and other outputs (Box 1): * ?

is period on **acquisitions** from other **EC** * ?
Member States (Box 2):

e (the sum of boxes 1 and 2) (Box 3): **Calculated value**

period on **purchases** and other inputs, * ?
n acquisitions from the EC) (Box 4):

tems or reclaimed by **Calculated**

BAD DEBTS – *customer’s point of view*

- Non-registered individual – no VAT implications
- VAT registered
 - VAT reclaimed on receipt of invoice
 - If VAT is still not paid after 6 months you must adjust Box 4 and repay VAT

sterling, including pence, for example 100

on

on **sales** and other outputs (Box 1): * ?

is period on **acquisitions** from other **EC** * ?
Member States (Box 2):

e (the sum of boxes 1 and 2) (Box 3): **Calculated value**

period on **purchases** and other inputs, * ?
n acquisitions from the EC) (Box 4):

tems or reclaimed by **Calculated**



CORRECTING ERRORS

- Disclose error as soon as possible
- Provide details of the error
- Many errors can be disclosed and corrected on the VAT return

CORRECTING ERRORS ON THE VAT RETURN

- Time limit is 4 years after they arose
- Net errors can be up to £10,000
- Can be between £10,000 and £50,000 if error is <1% of box 6
- Otherwise disclose on form VAT 652



WHAT ARE PENALTIES FOR ERRORS?

- **30% penalty** – careless error that leads to underpayment or overclaim
- **70% penalty** – deliberate action that isn't concealed
- **100%** - deliberate error that's concealed

WHAT ARE PENALTIES FOR ERRORS? - *30% penalty*

- 30% of the amount that's been underpaid
- correcting the error on the VAT Return is NOT a disclosure
- good idea to separately disclose the error to customs



DISCLOSING ERRORS

“If I disclose an error, will I receive a punishment?”

Have you...

- disclosed it fully and promptly?
- given details of how the error arose?
- given the amount of the error?
- minimised the chances of it occurring again?

-
-
-
-

**unlikely to receive
penalty**

DISCLOSING ERRORS

“How do I make a disclosure?”

- Letter
- VAT form 652



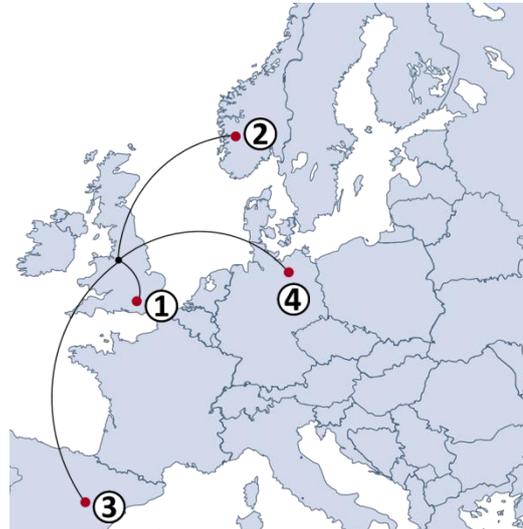
The Essentials of UK VAT – Day 2

Session 1: Input Tax

WHEN CAN YOU RECLAIM INPUT TAX?

Input tax is reclaimable on...

1. Goods and services purchased in the UK
2. Goods imported from non-EU countries
3. Acquisition of goods from another EU country
4. Reverse charge services from any other country



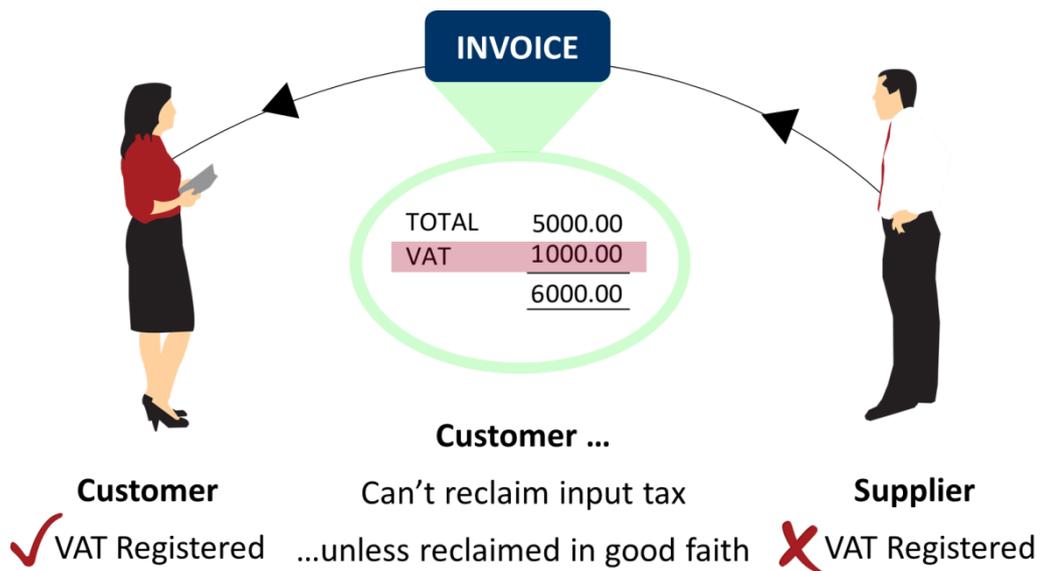
WHAT DO YOU NEED TO RECLAIM INPUT TAX?

- A valid VAT invoice
- The supply must be for use in the business
- The supply must not be blocked from input tax recovery

RETENTION OF RECORDS

- You need to keep records for 6 years.
- HMRC do not need to be notified if records are kept on the computer
 - ... but they must be convertible into a legible form

FRAUDULENTLY CHARGED VAT





WHEN VAT IS CHARGED INCORRECTLY

- E.g. Received invoice for book and VAT is charged
- Either
 - Send invoice back & don't pay, or
 - Only pay Net amount & explain why to supplier

WHEN IS VAT NOT RECLAIMABLE?

Not reclaimable when dealing with exempt supplies

Commercial property



VAT **is** reclaimable

Landlord



VAT attributed to
exempt supplies is
not reclaimable

Residential property



VAT is **not** reclaimable



SUMMARY

- When can you reclaim input tax?
- When can't you reclaim input tax?
- What records are needed to reclaim input tax?
- How long records must be kept?

Session 2: Input Tax – Practical Issues

CAN VAT BE RECLAIMED ON THE PURCHASE OF CARS?

- **General rule for cars**
 - You can't reclaim input tax
- **Definition of a car**
 - 3 or more wheels
 - Designed principally for carrying passengers
 - Designed for use on public roads



SCENARIO 4

Do you think you can reclaim VAT on the purchase of these vehicles?

<ul style="list-style-type: none">• '3 wheeler'	<ul style="list-style-type: none">• Hearse
<ul style="list-style-type: none">• Estate car, back seats removed	<ul style="list-style-type: none">• Ice Cream Van

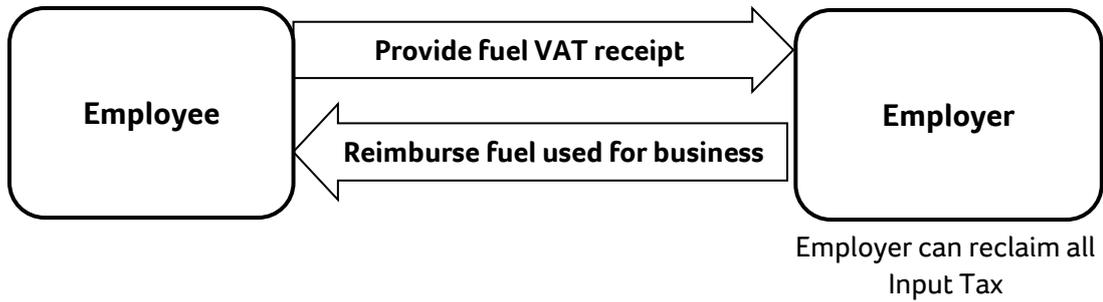
CARS AND PRACTICAL ISSUES

Exceptions to the General Rule

- Pool Car
- Accessories
- Car on hire
- Repairs & Maintenance
- Long Term Leasing



FUEL – *business travel in company cars*



FUEL – *for business travel in employees own car*

- Commonly businesses pay employees 45p per mile
- 45p Covers:
 - Fuel – VAT reclaimable for fuel element
 - Road Tax
 - Insurance
 - Servicing
 - Other running costs



FUEL – HMRC ADVISORY FUEL RATES FROM 1.9.19

Engine size	Petrol	LPG	Engine size	Diesel
1400cc or less	12p	8p	1600cc or less	10p
1401cc to 2000cc	14p	10p	1601cc to 2000cc	11p
Over 2000cc	21p	14p	Over 2000cc	14p

FUEL – HOW CALCULATE RECLAIMABLE INPUT TAX

- An employee using her own car travels 1,000 miles on business.
- The car is 1,600cc and uses petrol.
- She submits a mileage claim for 45p per mile.



How much VAT can the employer reclaim?

$$\text{Business Miles Travelled} \\ \times \text{Advisory Fuel Rate} \times \text{VAT Fraction}$$

$$1000 \times 14\text{p} \times 1/6 = \text{£}23.33$$



FUEL – PAYING FOR EMPLOYEES’ PRIVATE & BUSINESS FUEL

1. Reclaim all the input tax on fuel & account for output tax based on fuel scale charge
2. Ask employees to keep detailed mileage records. End of quarter, work out private and business use. Reclaim the business element of the input tax.
3. Opt out of using the fuel scale charge & don’t reclaim the input tax

CO2 band		VAT exclusive 3 month charge, £		VAT on 3 month charge (20%), £	
120 or less	175	122.50	307.50	24.50	61.50
125	180	185	320	37	64
130	185	196.67	332.50	39.33	66.50
135	190	208.33	345	41.67	69
140	195	220.83	357.50	44.17	71.50
145	200	233.33	370	46.67	74
150	205	245.83	381.67	49.17	76.33
155	210	258.33	394.17	51.67	78.83
160	215	270.83	405.83	54.17	81.17
165	220	283.33	418.33	56.67	83.67
170	225+	295	430.83	59	86.17

01 May 2019 – 30 April 2020

WHAT IS BUSINESS ENTERTAINMENT?

- Hospitality provided for anyone who is not an employee
 - e.g. providing food and drink, lunch, accommodation
- General Rule - You can’t reclaim input tax on business entertainment



BUSINESS ENTERTAINMENT - EXCEPTIONS

- General Rule:
 - Business meeting in an office & lunch provided in the office
 - **Can't** reclaim VAT
- Recent Case
 - Free meals provided at meeting where products were being marketed
 - European Court of Justice decided meals were incidental costs of the business meeting & input tax should not be blocked
 - VAT **can be** reclaimed

BUSINESS ENTERTAINMENT – OVERSEAS CUSTOMERS

- An overseas customer is anyone who is not ordinarily resident or carrying on business in the UK
- Input tax is reclaimable provided it is...
 - reasonable
 - of no private benefit for the recipient



WHAT ARE SUBSISTENCE EXPENSES?

- When employees incur costs as a result of being away from their place of work on a business trip
- General Rules:
 - If demonstrated it was for business and evidence of VAT receipt, the company **can reclaim VAT**
 - If paid flat rate in line with personal expenses rules, the **company can't reclaim any VAT**

CAN VAT BE RECLAIMED ON SUBSISTENCE EXPENSES?

- Employee goes away on business trip
- Employee goes out for lunch with business associate
- Can reclaim employees portion of the input tax
- Can reclaim £2.78 of the input tax

TOTAL :	33.35
VAT	5.56



WHAT ABOUT FUNCTIONS AND PARTIES?

Functions and parties = Not business entertainment

- Only staff attending
 - All VAT can be reclaimed
- Employee with guest who is not charged for ticket
 - Apportion VAT and reclaim for employee only
- Employee with guest who is charged for ticket
 - All VAT can be reclaimed

CAN VAT BE RECLAIMED ON MOBILE PHONES?

- **Purchase of the mobile phone**
 - If used for some business... input tax can be reclaimed on purchase
- **Use of the mobile phone**
 - Three common scenarios
 1. No private use, only used for business. All input tax can be reclaimed.
 2. Private & business use. A charge is made to employee for private use. All input tax can be reclaimed.
 3. Unlimited private & business use. Apportionment made between private & business. Input tax on business use can be reclaimed.



CAN VAT BE RECLAIMED ON CALLS FROM LANDLINES?

- Rental of landline – **Can't reclaim** VAT
- Phone calls with *no private calls* – **Can reclaim** all VAT
- Phone calls with a mix of *private and business calls* – **Apportion** calls

SCENARIO 5

XYZ Ltd purchase an executive box at a football stadium to entertain clients

Can XYZ Ltd reclaim the VAT on the purchase of the box?



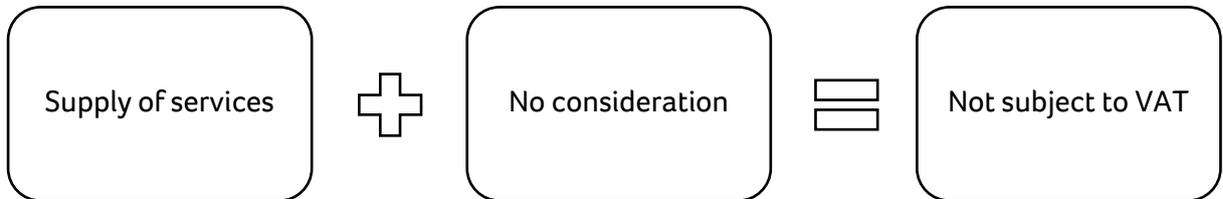
Session 3: Free Supplies

WHAT ARE SUPPLIES OF GOODS AND SERVICES?

Why do we need to know whether a supply is goods or services?

- Overseas transactions
- Time of supply
- Free supplies

FREE SUPPLIES OF SERVICES





FREE SUPPLIES OF GOODS – *business gifts*

- Business gifts to suppliers and customers
- Business gifts to staff and employees

FREE SUPPLIES OF GOODS – *business gifts*

- Gift is no more than £50 (including VAT) in a 12th month period – don't account for VAT
- Gift more than £50 (including VAT) in a 12th month period – you must account for VAT

FREE SUPPLIES OF GOODS

- Free sample which is intended to promote a product is not liable to VAT



WHAT IS NOT A SUPPLY?

Situations where a consideration has been made but it is not treated as a supply...

- Voluntary payments
- Breach of a contract
- Situations where nothing is received

SCENARIO 6

ABC Limited buys 10 £20 bottles of white wine and 10 £24 bottles of red wine. They give 10 employees 1 bottle of each wine... 1 red and 1 white.

Can ABC Limited reclaim the input tax on the purchase of the wine?

Should ABC Ltd account for output tax on the gifting of the wine?

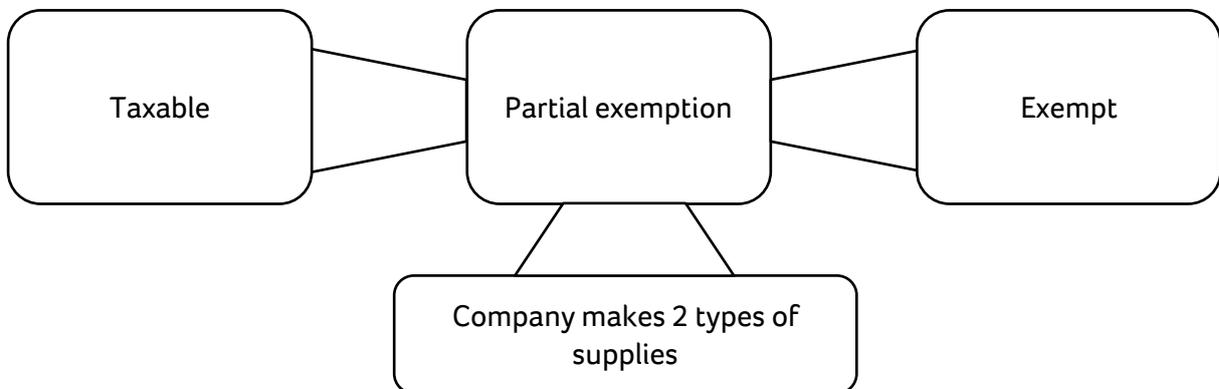


SUMMARY

- What is a free supply of goods?
- What is a free supply of services?
- What are the VAT implications for free goods and services?
- Are there any situations where a consideration has been made but it is not treated as a supply?

Session 4: Partial Exemption

WHAT IS PARTIAL EXEMPTION?





PARTIAL EXEMPTION – RECLAIMING INPUT TAX

- Expected to attribute input tax to their taxable and exempt supplies
- If an organisation has irrecoverable input tax of less than £625 per month and less than half of all input tax for the period concerned...
- ...they can act as not partially exempt and **reclaim all input tax**

PARTIAL EXEMPTION – RECLAIMING INPUT TAX

- Company offers tax advice & insurance (exempt)
- Company should attribute input tax to both of the supplies
 - E.g. Input tax on PC used for tax services can be reclaimed... but input tax on PC used for insurance can't be



PARTIAL EXEMPTION – RESIDUAL INPUT TAX

- Supplies that don't just fit into one part of the business.
 - e.g. electricity
- After company has attributed the taxable and exempt supplies, the supplies you can't attribute are known as 'residual input tax'

SUMMARY

- What is a partially exempt business?
- How do you account for VAT if you are partially exempt?
- How do you deal with input tax that can't be attributed to exempt or taxable supplies?



Session 5: Transactions Overseas

INTERNATIONAL SUPPLIES OF GOODS AND SERVICES

- Goods
- Services

SUPPLIES OF GOODS IN THE EU

- Buying goods from EU = **EU Acquisition**
- Selling goods in EU = **EU Sale**



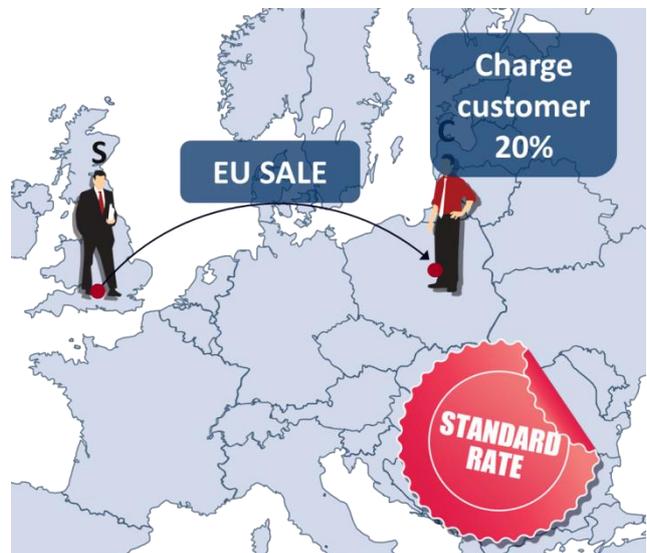
EU SALES

- Two conditions...
 - List customer's VAT no. and country code on invoice
 - Good removed from UK and arrive in EU country within 3 months
- If both are met the goods can be **zero rated**



EU SALES

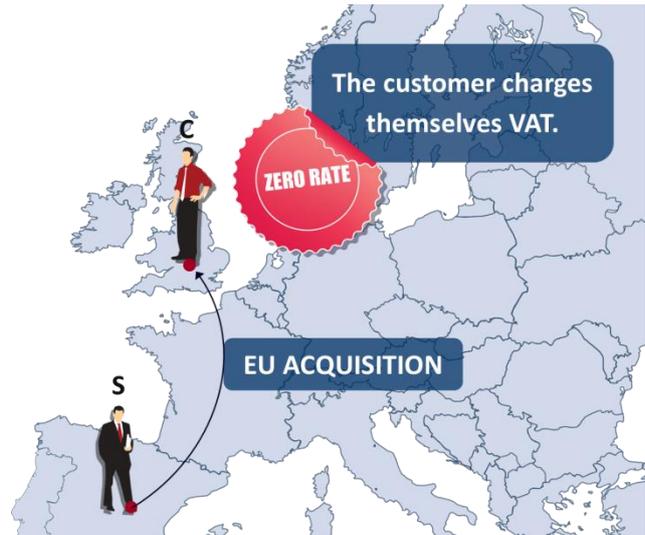
- If the customer is not VAT registered, the goods must be **standard rated**





EU ACQUISITIONS

- Provide supplier with VAT no. and country code
- Goods removed from supplier's country and arrive in UK within 3 months





EU ACQUISITIONS

Quantity	Description & Price	Net Amount
30	Tables @ £200	6000
80	Chairs @ £50	4000
		10,000

Net Amount	VAT Rate	VAT Amount
£10,000	20%	£2,000

VAT due in this period on sales and other outputs (Box 1): *	<input type="text"/>	
VAT due in this period on acquisitions from other EC Member States (Box 2): *	+ £2,000	
Total VAT due (the sum of boxes 1 and 2) (Box 3):	Calculated value	
VAT reclaimed in this period on purchases and other inputs, including acquisitions from the EC (Box 4): *	+ £2,000	
Net VAT to be paid to HM Revenue & Customs or reclaimed by you (Difference between boxes 3 and 4) (Box 5):	Calculated value	
Total value of sales and all other outputs excluding any VAT. Include your box 8 figure (Box 6):	<input type="text"/>	Whole pounds only
Total value of purchases and all other inputs excluding any VAT. Include your box 9 figure (Box 7):	<input type="text"/>	Whole pounds only
Total value of all supplies of goods and related costs, excluding any VAT, to other EC Member States (Box 8):	<input type="text"/>	Whole pounds only
Total value of all acquisitions of goods and related costs, excluding any VAT, from other EC Member States (Box 9):	<input type="text"/>	Whole pounds only

Add VAT to the supply and add this to Box 2 and Box 4 of the VAT Return

Exceptions

1. DISTANCE SALES

- A sale to someone who isn't VAT registered in EU and responsible for delivery
- Once you exceed the distance sales threshold in the country you are supplying you must register and charge VAT at the rate in that country



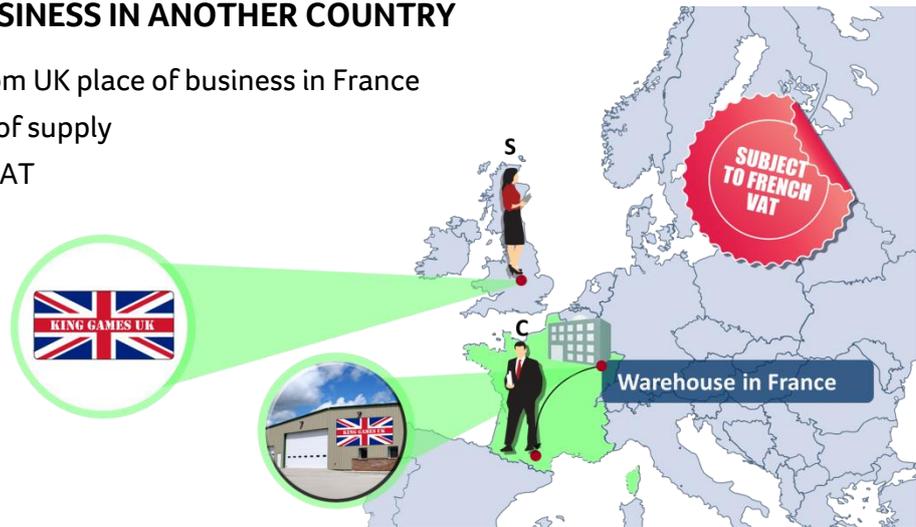
2. INSTALLATION AND ASSEMBLY

- UK company sells and assembles sign in Ireland
- UK company would register and charge Irish VAT



3. UK PLACE OF BUSINESS IN ANOTHER COUNTRY

- Goods delivered from UK place of business in France
- France is the place of supply
- Subject to French VAT



SCENARIO 7

A UK manufacturer supplies and assembles a printing press to a business in Belgium.

How is this taxed?



SCENARIO 8

A UK Company delivers goods to a private individual in Spain.

How is this taxed?

DEFINITIONS





EXPORTS

- Goods must leave the EU within 3 months of payment
- Then the goods can be zero rated

IMPORTS

- Goods declared as soon as they enter the EU
- Then you pay duty and VAT
 - N.B. Duty is non-refundable – a penalty for acquiring goods from outside EU



IMPORT VAT

- Not payable to the supplier but the VAT authorities – HMRC
 - Can reclaim in most cases

	Net Amount £	VAT Rate %	VAT Amount £
	£8,000		
Duty	<u>£2,000</u>		
	<u>£10,000</u>	20%	£2,000
	<u>£2,000</u>		
	<u>£12,000</u>		

C79 FORM

- HMRC send out C79 form with import VAT from previous month
- You need a C79 form to be able to recover input tax
- It shows a list of import VAT from previous month



INTERNATIONAL SERVICES

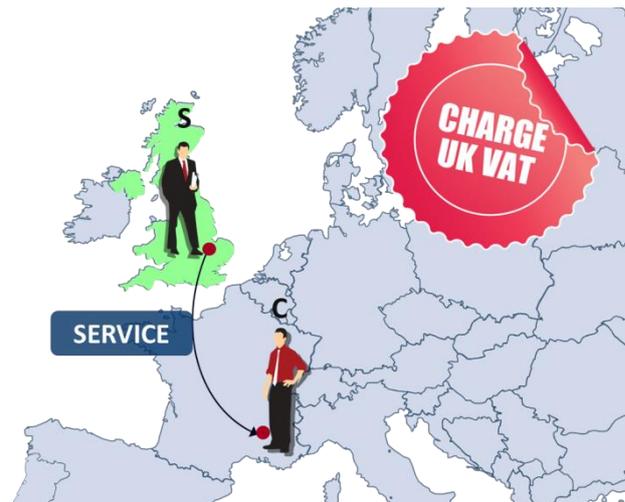
1. Are you supplying to a Business (B2B) or Consumer (B2C)?
2. Where does your customer belong?
3. What type of service are you supplying?

B2C SERVICES

Supply from country inside the EU

General Rule - B2C

Place of supply is where the supplier belongs

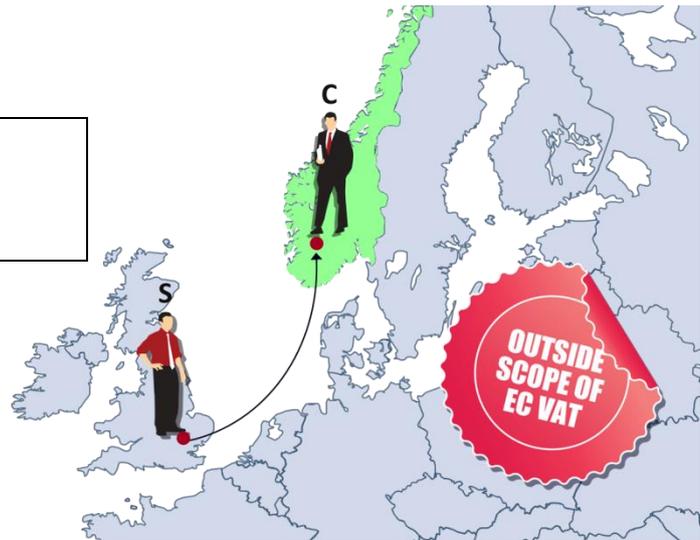


B2B SERVICES

Supply to someone outside the EU

General Rule - B2B

Place of supply is where the customer belongs

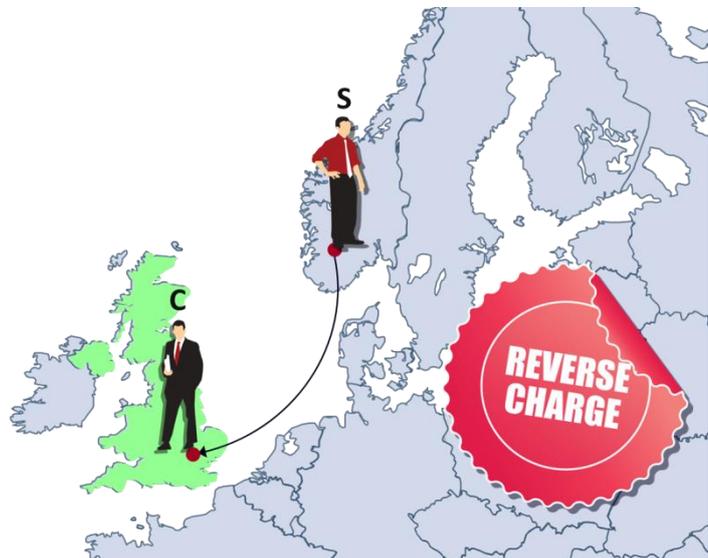


B2B SERVICES

Supply from someone outside the EU.

General Rule - B2B

Place of supply is where the customer belongs.





EXCEPTIONS

- Land Related Services
- Performance Related Services
- Intangible Services

SCENARIO 9

An Indian call Centre provides services to a business in the UK.

Where is the place of supply?

SCENARIO 10

A UK solicitor provides legal services to a private individual in France.

Where is the place of supply?



UK Training (Worldwide) Limited
17 Duke Street
Formby
L37 4AN

w www.uktraining.com
t 01704 878988
e info@uktraining.com

