

VAT

1. Deregistration

A consequence of the recession is that many businesses will apply to deregister from VAT. This is because their expected taxable turnover in the next 12 months will be less than the current deregistration limit of £65,000.

2. The Flat Rate Scheme

The flat rate scheme has been in existence since April 2003 and has produced welcome tax savings for many businesses. One of the main benefits of the scheme is that it can often (but not always) simplify the record keeping requirements of a business.

How it works

- it is available to any business with annual taxable sales of £150,000 or less (excluding VAT) or total VAT inclusive income (including exempt and non-business supplies) of £187,500 or less.
- instead of accounting for VAT based on output tax less input tax, a scheme user applies a given flat rate percentage to its gross (VAT inclusive) income. The relevant flat rate percentage depends on the category of business to which the taxpayer belongs.
- the business still charges VAT to its customers in the normal way – i.e. charging 15% VAT on standard rated supplies and no VAT on zero-rated or exempt supplies. The only difference occurs when the VAT return is completed at the end of each period.

If you would like more information on these topics, or you think either of these apply to your business and would like help in taking action please feel free to contact us.