

VAT is changing from 1st January 2010

and the following notes are designed to help you through these changes.

VAT - What's different, who's affected, and what you need to do

There will be three important changes to VAT next year, any one of which may affect you.

1. On 1st January 2010, the standard rate of VAT returns from the current 15% to its previous level of 17.5%. (*note – these changes affect 'Standard Rate' only*)
2. Also from 1st January 2010, there will be new rules, procedures and timescales for UK's VAT registered businesses trading with overseas businesses.
3. And from 1st April 2010, all businesses with an annual turnover, excluding VAT, of £100,000 or more will need to file their VAT Returns online, instead of on the paper returns currently being submitted.

Depending on how or where you do business and your level of turnover, one, two or all three of these changes will affect you. So you need to make sure your business processes are ready and in place. Where appropriate, contact your software supplier to establish how you make the necessary adjustments to your system.

For those of you using the Burns Waring recommended online accounting software, you need not worry as this will be done automatically for you on 1st January 2010.

If you are VAT registered, you'll need to be ready to apply the 17.5% rate

The standard rate of VAT is returning from its current rate of 15% to 17.5% on 1st January 2010. So you'll need to apply the 17.5% rate to all sales of standard-rated goods and services taking place on or after that date.

What you should apply the new rate to:

- All takings received on or after 1st January 2010
- All VAT invoices you issue to other VAT registered businesses on or after 1st January 2010.

There are a few exceptions to the rule:

- You should continue to account for 15% on takings received on or after 1st January 2010 where they relate to goods customers took away with them or that you delivered before 1st January 2010
- You should also account for 15% on VAT invoices where you provided goods or services before 1st January 2010 but didn't invoice customers until after that date
- There are also special rules that can be applied to services beginning before 1st January 2010 but completed after that date
- For all other special cases, such as cash and annual accounting schemes, please check on the HMRC website for more information (details of the new Flat Rate Scheme rates will also be published on the HMRC website)

Any **credit notes** or refunds given to customers are based on the same rate of VAT that was charged on the original sales invoice. The same applies to bad debts incurred after 1st January.

VAT planning and anti-avoidance rules

If you are considering raising invoices or encouraging payment early, in advance of 1st January 2010, you must also consider the anti-forestalling legislation which specifically targets avoidance schemes where invoices are raised in 2009 at 15% but, in reality, supply takes place in 2010 or later when 17.5% should be charged. If in doubt, take detailed advice on these anti-avoidance rules.

See the special Burns Waring 'easy guide' chart at the end of this advisory to help you decide how you should treat your sales spanning 1st January 2010.

If you trade with overseas businesses, you will need to know the new 'Cross-Border' VAT rules

Do you supply services to or receive services from overseas businesses? Do you supply goods to other EU countries? Do you reclaim VAT incurred in another EU country? If so, you need to know about the changes below, which take effect from 1st January 2010:

- The place of supply for cross-border services to business customers will now be (under the new general rule) in the country of the customer. When these supplies are made within the EU, the customer will account for VAT under the reverse charge mechanism
- The time at which a customer accounts for VAT under the reverse charge mechanism is also changing
- There is a new requirement to file EC Sales Lists (ESLs) for supplies of services that are taxable in the customer's country. These must be filed every calendar quarter, within 14 days for paper and 21 days for online
- The same deadlines will apply to ESLs for goods. ESLs for goods must be filed monthly if the value of the goods, excluding VAT, exceeds £70,000 in the current or any of the previous four quarters
- A new online service will be introduced for reclaiming VAT incurred in other EU states instead of the current paper-based claims. You will need, first of all, to register and enrol for VAT Online services at <http://online.hmrc.gov.uk/registration> , and we suggest you do this in December 2009, to be ready for when the changes take effect

If your annual turnover, excluding VAT, is £100,000 or more then you will need to file your VAT returns on line for periods commencing 1st April onwards

Any business that is registered for VAT in the UK and whose turnover, excluding VAT, is £100,000 or more for the year ending 31st December 2009 or any later date, must:

- File their VAT returns online, and
- Pay any VAT due on these returns electronically.

This applies to all VAT returns filed by such businesses covering the period beginning on or after 1st April 2010.

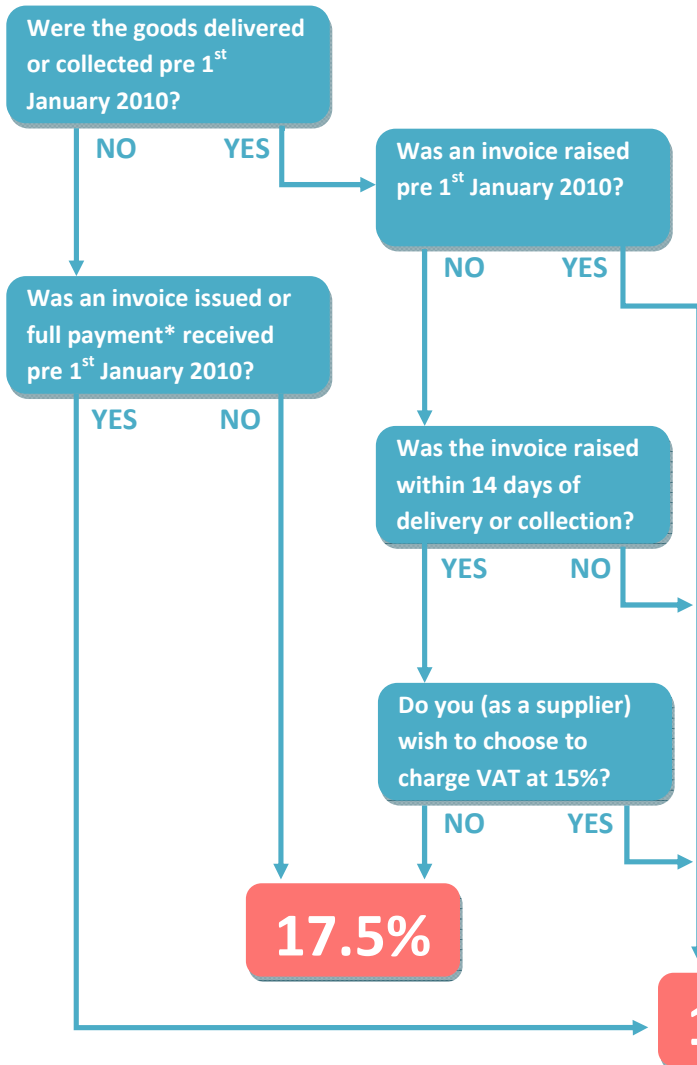
Online filing and electronic payment apply also to any businesses registering for the first time from 1st April 2010, regardless of turnover level.

For those of you using the Burns Waring recommended online accounting software, the online filing capability has already been incorporated within the system for you and you are effectively, once registered, 'ready to go' as of today.

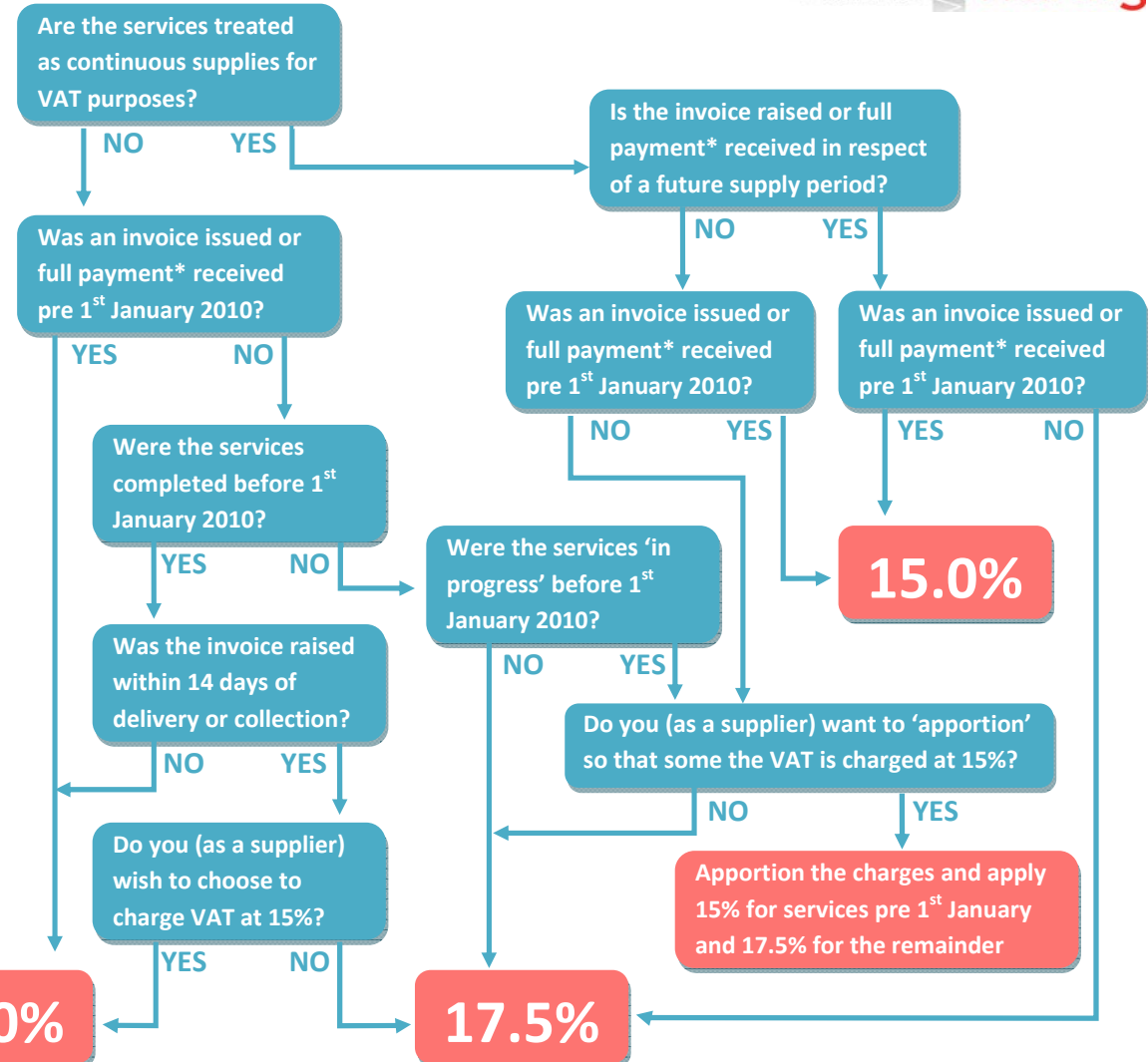
VAT rate changes from 1st January 2010 – which rate should you charge?

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NB – The transitional anti-avoidance rules must be considered for all transactions spanning 1st January 2010. * see details regarding advance payments received.

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