



Taxation for Business (VAT)

VAT Flat Rate Scheme

There are various VAT schemes in place designed to alleviate the administrative burden of a business.

What is VAT Flat Rate Scheme?

This scheme was introduced to alleviate the administrative burden for businesses when operating the VAT regime.

Who can join the Scheme?

The scheme is optional and open to businesses whose VAT exclusive:

- Annual taxable turnover does not exceed £150,000, and;
- Total turnover (including the value of exempt and non-taxable income) does not exceed £187,500.

Turnover does not include proceeds from the sale of capital assets.

To join the scheme, you can apply by post, email or phone to HMRC. If you are not already registered for VAT, you will also have to submit a VAT1 form at the time of application.

You cannot operate the scheme until you have been notified by HMRC that you have been accepted into the scheme. They will also inform you of the date that you can commence with the scheme.

When can I not use the scheme?

You are unable to use the flat rate scheme if you;

- Use the tour operators' margin scheme
- Use the second hand margin scheme or auctioneers' scheme
- Are required to operate the capital goods scheme for certain items.

Also, you cannot use the scheme if in the past 12 months, you have;

- Ceased to operate the flat rate scheme
- Been convicted of a VAT related offence
- Considered for a penalty for conduct involving dishonesty

The scheme will be inappropriate if you regularly receive VAT repayments.

How does the scheme work?

The VAT that is due to HMRC is calculated by a predetermined flat rate percentage to the business turnover of the VAT period. This also includes any exempt supplies and therefore it will not generally be beneficial to join the scheme if there is a significant level of exempt supplies.

The percentage rates vary according to the sector your business trades and range for 2% - 11.5%. We have attached the current percentages to this factsheet. A further 1% reduction applies for business in the first year of VAT registration.

If your business falls into more than one sector, it is the main activity of the business that is considered. This is measured by turnover. This can prove to be advantageous to a business if a large percentage rate of secondary activity is subject to a modest major percentage trade. If business activity changes or you expect it to change in the following year, you should use the appropriate rate for that sector. You should review your business activity every year.

You still have to prepare invoices to VAT registered customers showing the normal rate of VAT as they will need to reclaim input VAT at the appropriate rate.

How do I treat Capital Assets?

Capital Assets that cost more than £2,000, including the VAT can be dealt with outside of the scheme. You can claim input VAT on your VAT return in the usual manner. When you reclaim input VAT, you must account for the VAT on a subsequent sale of the asset at the normal rate instead of the flat rate.

I work with EU member states

You should include income from such sales within your turnover. Acquisitions from EU member states still require you to record the VAT on your VAT return, even though you cannot reclaim the input VAT (unless it is a capital item – see above).

What records do I need to keep?

You must keep a record your flat rate turnover, the flat rate percentage that you use and the calculation of the tax that is due. You still have to keep a VAT account even if the only VAT calculated under the scheme is one entry per period.

How we can help

We can help, advise and consider whether the flat rate scheme would be beneficial for your business.

Call our Tax Specialists for more help

We have offices throughout Staffordshire and North Shropshire. Our Tax specialists are:

Leek Office – 01538 393600

Seaton Kennerley

Uttoxeter Office – 01889 563550

Carl Marsden

Newport Office – 01952 813330

Mervyn Davies

To email: initialsurname@howsons.com

(N.B. When addressing the Leek Office please replace .com with .net for examples skennerley@howsons.net or cmarsden@howsons.com)

We believe the information contained within this fact sheet to be correct at time of going to press, but we cannot accept any responsibility for any damage or loss occasioned to any person as a result of action or refraining from action as a result of any item herein. This information sheet provides outline information only; you should always seek specific professional advice.
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VAT Flat Rate Scheme – Sectors and Rates

Please note that the percentage has been reduced to reflect the temporary reduction in standard VAT rate from 17.5% to 15% for the period 1st December 2008 to 31st December 2009

Trade Sector	Appropriate Percentage
Accountancy or book-keeping	11.5
Advertising	8.5
Agricultural services	7
Any other activity not listed elsewhere	9
Architect, civil and structural engineer or surveyor	11
Boarding or care of animals	9.5
Business services that are not listed elsewhere	9.5
Catering services including restaurants and takeaways	10.5
Computer and IT Consultancy or data processing	11.5
Computer repair services	10
Dealing in waste or scrap	8.5
Entertainment or journalism	9.5
Estate agency or property management services	9.5
Farming or agriculture that is not listed elsewhere	5.5
Film, radio, television or video production	9.5
Financial services	10.5
Forestry or fishing	8
General building or construction services*	7.5
Hairdressing or other beauty treatment services	10.5
Hiring or renting goods	7.5
Hotel or accommodation	8.5
Investigation or security	9
Labour-only building or construction services *	11.5
Laundry or dry-cleaning services	9.5
Lawyer or legal services	12
Library, archive, museum or other cultural activity	7.5
Management consultancy	11
Manufacturing that is not listed elsewhere	7.5
Manufacturing fabricated metal products	8.5
Manufacturing food	7
Manufacturing yarn, textiles or clothing	7.5
Membership organisation	5.5
Mining or quarrying	8
Packaging	7.5
Photography	8.5
Post Offices	2
Printing	6.5
Publishing	8.5
Pubs	5.5
Real estate activity not listed elsewhere	11
Repairing personal or household goods	7.5
Repairing vehicles	6.5
Retailing food, confectionery, tobacco, newspapers or children's clothing	2
Retailing pharmaceuticals, medical goods, cosmetics or toiletries	6
Retailing that is not listed elsewhere	5.5
Retailing vehicles or fuel	5.5
Secretarial services	9.5
Social work	8
Sport or recreation	6
Transport or storage, including couriers, freight, removals and taxis	8
Travel agency	8
Veterinary medicine	8
Wholesaling agricultural products	5.5
Wholesaling food	5
Wholesaling that is not listed elsewhere	6

*"Labour-only building or construction services" means building or construction services where the value of materials supplied is less than 10% of relevant turnover from such services; any other building or construction services are "general building or construction services"