

## Foreword

**This notice cancels and replaces Notice 700 (April 2002). Details of any changes to the previous version can be found in paragraph 1.2 of this notice.**

## 1. Introduction and other sources of information

### 1.1 What is this notice about?

This notice is the main reference guide to Value Added Tax (VAT).

It provides:

- a guide to all the main VAT rules and procedures;
- help with the problems faced by business; and
- references to more specialised publications.

Not all of the information here will apply to your business - so don't try to read it all the way through. There is an index at the back and this will help you find the information you need by referring you to a particular section or paragraph in this guide or to one of our other, more specialised publications.

This section of the notice provides information about a range of sources of further information and help.

### 1.2 Are there any changes from the previous edition?

This notice has been updated to reflect the increase in the standard rate of VAT to 20 percent which had effect from 4 January 2011. The technical content is largely unchanged from the April 2002 edition which was updated in May 2003 and February 2004.

### 1.3 Are there other notices which can help me?

#### 1.3.1 Introductory information

You may find it helpful to read these simple introductory publications before you use this guide:

- Notice 700/15 The Ins and Outs of VAT; and
- Notice 700/21 Keeping VAT records.

### 1.3.2 Retail schemes

If you make retail sales or provide services to the public, there are a number of special retail schemes which you may use to work out the VAT on your supplies.

You should read Notice 727 Retail schemes and the associated notices which will tell you more about the individual schemes. The schemes are designed to suit different types of business, and Notice 727 will help you decide.

### 1.3.3 Business within the European Community (EC)

If you are involved in either buying or selling goods within the EC you should read Notice 725 The Single Market.

## 1.4 How can I get free information and help?

Some features of VAT arise less frequently or only affect certain types of business. You will find detailed guidance on these in other, more specialised notices.

There is a full list of VAT publications in Notice 999 Catalogue of publications which is usually revised in January and July each year. There is also a list of public notices available on our website. The address is [www.hmre.gov.uk](http://www.hmre.gov.uk).

If you are registered for VAT you will receive a newsletter called VAT Notes with your VAT return. It is usually issued quarterly with VAT returns and provides brief topical notes about VAT and details of new and revised VAT publications.

If you can't find the answer to your query in these publications, you can contact HM Revenue & Customs for help. See [Contact us](#) for more information.

## 1.5 Updates

From time to time, the VAT rules change or we decide to make clearer the guidance given on a particular point. We do this by issuing a revised edition of the publication or by issuing an update for the existing notice. All revised editions and updates are listed on the recent editions page of our website and in the next available editions of VAT Notes, and Notice 999 Catalogue of publications.

We try to keep the number of revisions and updates to the minimum but it is **important** that you keep yourself up to date by noting these changes, otherwise you may find that you are not accounting for VAT properly.

## 2. Administration of VAT

### 2.1 What is this section about?

This section explains:

- the purpose of visits that you will receive from our officers and what you can expect;
- our approach to tax avoidance;
- the law;
- what we can do in cases of misunderstanding, misdirection or Departmental error; and
- your rights as a taxpayer and how to complain.

Other administrative aspects are dealt with elsewhere in the notice:

<b>Guidance on...</b>	<b>is in...</b>
Registration	Sections 6 and 26
VAT returns and payment of VAT	Sections 20 and 21
Penalties and interest charges	Section 27
Appeals	Section 28

## **2.2 Visits by VAT officers**

From time to time you will be visited at your principal place of business by an officer from your VAT office. The officer will examine your business records, methods and premises and give you guidance. The reason for this is to ensure that the correct tax is accounted for at the right time. We want you to pay no more and no less than is due.

### **2.2.1 When will you visit me?**

This will depend on the size and complexity of your business and your past compliance with legislation. Businesses which send in late or incorrect declarations and payments are visited more often. It is therefore in your interest to ensure that your declarations are correct from the outset.

Before we visit we will agree a mutually convenient appointment date and time. On occasion we will call without an appointment. One reason for this may be to see the day to day operation of the business.

### **2.2.2 How long will a visit last?**

Officers aim to carry out their duties with as little inconvenience to you as possible. For a small business, a visit may only take a few hours - for a large or complex business it can last 2 or more days.

## 2.2.3 What happens during a visit?

During the visit our officer will:

- discuss with you the various aspects of your business;
- give an indication of the length of the visit;
- examine the records of the business; and
- advise you of overpayments as well as underpayments.

At the end of the visit the officer will:

- review the work performed;
- discuss any concerns arising; and
- agree what is to be done in the future.

Where an error is found, the officer will:

- describe how the adjustment will be made;
- agree the adjustment whenever possible; and
- inform you of how you may seek reconsideration of, or appeal against the decision should you disagree.

There are a number of things that you can do to help the visit go smoothly. These include:

- advising us early of the reasons for any significant changes in the tax or duties declared by you. You should do this by writing to your VAT office;
- keeping your records and payments up to date;
- providing us with the information and explanations we request;
- asking us if you are unsure of any matter connected with the tax. We will not normally have time to look at all aspects of your records and business, so you cannot assume that you are accounting for the tax or duty correctly on everything just because no errors are found. It is therefore in your interests to ask if you are unsure;
- helping us to understand your business and records;
- replying to enquiries within the specified time; and
- quoting your VAT number when you contact us.

You will find out more about visits from HM Revenue & Customs in Notice 989.

## 2.3 Tax avoidance

Tax avoidance is the use of contrived arrangements or structures to achieve a tax advantage – an increase in tax recovery, a reduction in the tax due or a tax deferral – contrary to the purpose and spirit of the legislation. Tax avoidance puts at risk Government revenues. It can also give a business an unfair advantage over others and threaten tax simplification measures. We have to take action to counter this and will continue to do so. That action includes the use of litigation, or the introduction of new legislation.

## 2.4 VAT law

VAT law in the European Community is governed by various Directives, notably the Council Directive 2006/112/EC (Principal VAT Directive).

The Directives are given effect in the UK mainly by the Value Added Tax Act 1994 as amended by subsequent Finance Acts. But there are many detailed rules in Statutory Instruments. These are either orders made by the Treasury or regulations made by HM Revenue & Customs. Copies of the Act and of Statutory Instruments are available from Stationery Office bookshops.

Generally speaking, this notice and the other VAT notices explain how HM Revenue & Customs interpret the VAT law. However, sometimes the law says that the detailed rules on a particular matter will be set out in a notice or leaflet published by HM Revenue & Customs rather than in a Statutory Instrument. When this is done, that part of the notice or leaflet has legal force, and that fact will be clearly shown at the relevant point in the publication.

## 2.5 Misunderstanding

### 2.5.1 Misunderstanding

In certain circumstances, we may exceptionally take no further action about VAT undercharged by a taxable person as a result of a genuine misunderstanding which does not concern anything clearly covered in our published guidance, or in specific instructions given to that taxable person.

You can find further information in Notice 48 Extra-statutory concessions.

## 2.6 Extra-statutory concessions

In certain circumstances where remission or repayment of VAT is not provided for by law, we may allow relief on an extra-statutory basis. The use of a concession may be restricted, for example, if it is used for the purpose of tax avoidance (see paragraph 2.3).

You will find more about this and a list of these concessions in Notice 48 Extra-statutory concessions.

## 2.7 Interest in cases of Departmental error

You can claim interest where, as a result of an error on our part you:

- have paid too much VAT;
- have underclaimed VAT; or
- were prevented from recovering VAT at the proper time.

You can claim for the period of time during which you have not been able to use your money.

You should make your claim in writing. See [Contact us](#) for more information. Each case will be considered on its merits..

## 3. General explanation of VAT: introduction and liability

### 3.1 Introduction to VAT

The next four sections explain the basic principles of VAT.

Section	Contents
3	introduces VAT and gives information about VAT liability and rates of tax.
4	explains how VAT works and tells you about some of the mechanics of VAT.
5	outlines the basic rules on imports, exports, acquisitions and intra-EC supplies.
6	deals with registration and tells you when you might need to register.

You will also find it helpful to read Notice 700/15 The Ins and Outs of VAT, which provides a brief guide to input tax and output tax for VAT-registered businesses.

### 3.2 What is VAT about?

VAT is a tax on consumer expenditure. It is collected on business transactions, imports and acquisitions.

Most business transactions involve supplies of goods or services. VAT is payable if they are:

- supplies made in the United Kingdom (UK) or the Isle of Man;
- by a taxable person;
- in the course or furtherance of business; and
- are not specifically exempted or zero-rated.

Supplies which are made in the UK or the Isle of Man and which are not exempt are called **taxable supplies**.

A **taxable person** is an individual, firm, company etc who is, or is required to be, registered for VAT. A person who makes taxable supplies above certain value limits is required to be registered.

A person who makes taxable supplies below these limits is entitled to be registered in the UK on a voluntary basis if they wish, in order, for example, to recover VAT incurred in relation to these taxable supplies.

In addition, a person who is not registered for VAT in the UK but acquires goods from another EC member state, or makes distance sales in the UK, above certain value limits may be required to register for VAT in the UK (and such persons may register voluntarily if their acquisitions or distance sales are below these limits).

There is more about these matters in Section 6.

Supplies are outside the scope of the tax if they are:

- made by someone who is not a taxable person;
- made outside the UK and the Isle of Man (but see paragraph 4.8.3 for special place of supply rules for certain international services); or
- not made in the course or furtherance of business.

### 3.3 How many rates of VAT are there?

There are three rates of VAT:

- a standard rate, currently 20%;
- a reduced rate, currently 5%; and
- a zero rate.

## 3.4 What supplies are reduced-rated?

Supplies of these goods and services are currently charged at the **reduced rate**:

- domestic fuel or power;
- installation of energy saving materials;
- grant funded installation of heating equipment or security goods or connection of gas supply;
- renovation and alteration of dwellings;
- residential conversions;
- women's sanitary products; and
- children's car seats.

## 3.5 Is VAT payable on zero-rated supplies?

VAT is not payable on **zero-rated** supplies, and an invoice for a zero-rated supply will not constitute a VAT invoice (paragraph 15.10 explains why this is important for tax point purposes).

However, zero-rated supplies are treated as taxable supplies in all other respects, including the right of the person making the supply to recover the VAT on their own business expenditure (subject to certain restrictions - see paragraph 4.6).

## 3.6 Is VAT payable on exempt supplies?

Some supplies are **exempt** from VAT, which means that no tax is payable - but, equally, the person making the supply cannot normally recover any of the VAT on their own expenses.

However, it is possible to choose to standard-rate some supplies of property which would otherwise be exempt. If you elect to waive the exemption – more commonly known as opting to tax - all supplies you make of a property will, in most cases, be taxable (see paragraph 29.2.8(b) and Notice 742A **Opting to tax** land and buildings).

## 3.7 Where can I find further information on liability and rates of tax?

Section 29 tells you about the areas of business where some supplies may be exempt or zero-rated. It also lists the notices which tell you more about this.

If you have read Section 29 and you think that any of your supplies might be zero-rated or exempt, you should read the appropriate notice.



If the rate of tax or the liability of something you supply changes, you should read Section 30.

## **4. General explanation of VAT: the basic mechanism for VAT**

### **4.1 How does VAT work?**

If you make standard-rated supplies, you have to account to HM Revenue & Customs for the VAT due. This is your output tax.

You will normally charge the VAT to your customers. If your customers are registered for VAT and the supplies are for use in their business, the VAT is their input tax. In the same way, VAT charged to you on your business purchases is your input tax.

As a registered person, you can reclaim from HM Revenue & Customs as much of the VAT on your purchases, and imports, as relates to the standard-rated, reduced-rated and zero-rated supplies you make. In principle, you cannot reclaim VAT which relates to any non-business activity or to any exempt supplies you make.

### **4.2 How do I account for VAT on my supplies?**

At predetermined intervals you pay to HM Revenue & Customs the excess of your output tax over the VAT you can reclaim as input tax. However, if the input tax you can reclaim is **more** than your output tax, you can reclaim the difference from us.

### **4.3 Can I claim VAT relief if my customer has not paid me?**

If you make taxable supplies of goods or services to a customer for which you are not paid, you may be able to reclaim relief from VAT on the bad debts. You can find out more about this in Notice 700/18 Relief from VAT on Bad Debts.

### **4.4 When will I be making a supply of goods?**

You supply goods if you pass the exclusive ownership of goods to another person.

You also supply goods if you:

- transfer them under an agreement such as a hire-purchase agreement - but not if you transfer such an agreement;
- provide water or any form of power, heat, refrigeration or ventilation; but not if you hire out equipment which does this - that is a supply of services (see Notice 701/19 Fuel and power and Notice 701/16 Water and sewerage services);

- supply a major interest in land; broadly speaking, the freehold, or in Scotland the dominium utile, or a lease exceeding 21 years (see Notice 742 Land and property and Notice 708 Buildings and construction); or
- transfer goods permanently out of the business for your private use.

You do not make a supply if you provide goods (such as overalls or tools) to employees solely for the purpose of their employment and make no charge.

## 4.5 When will I be making a supply of services?

You supply services if you do something, other than supplying goods, for a **consideration**. A consideration is any form of payment in money or in kind, including anything which is itself a supply (see paragraph 7.2).

You also supply services if you:

- lend goods to someone for use outside your business;
- hire goods to someone;
- produce goods from someone else's materials;
- use goods owned by the business outside the business;
- agree, for a consideration, to refrain from doing something; or
- agree to grant, assign or surrender a right for a consideration.

If you supply services, you should read Notice 741 Place of supply of services.

## 4.6 Business and non-business

### 4.6.1 Introduction

It is very important to understand the difference between business and non-business activities:

- you must account for VAT on all the taxable supplies you make by way of business, and you can treat as input tax VAT charged on goods and services which you get for your business (see Section 10) but
- if you also carry out non-business activities, it could affect the amount of VAT you can treat as input tax. VAT charged on goods and services which you do not get for your business is not input tax and you cannot reclaim it.

## 4.6.2 What does 'business' mean?

In VAT terms, business means any continuing activity which is mainly concerned with making supplies to other persons for a consideration (see paragraph 4.5). The activity must have a degree of frequency and scale and be continued over a period of time. Isolated transactions are not normally business for VAT purposes.

It includes:

- the way in which self-employed people carrying on any trade, vocation or profession, as well as companies, earn an income;
- the provision of membership benefits by clubs, associations and similar bodies in return for a subscription or other consideration; and
- admission to premises for a charge.

It may also include:

- the activities of clubs and other recreational bodies; and
- some of the activities of charities and non-profit making bodies.

However, even if your activities have some or all the characteristics of a business, they are not business if they are essentially a recreation or hobby and the making of taxable supplies is only incidental to this.

## 4.6.3 Non-business

If you have any non-business activities, you will not be able to reclaim all the VAT you are charged on your purchases. This is because the VAT charged on goods and services used for non-business purposes is not input tax and cannot be reclaimed.

## 4.6.4 Examples of non-business activities

Purely private or personal activities are, of course, non-business. Many charities, philanthropic and voluntary bodies and other non-profit making organisations have non-business activities. For example, these may all be non-business activities:

- providing free services or information;
- maintaining museums, parks or historic sites (unless there is an admission or other charge); and
- publicising religious or political views.

An activity which is carried out mainly as a hobby, such as stamp collecting, is not a business. However, if you start to sell items you collect, or have made, on a regular and continuing basis, then, under the rules outlined above, your hobby could become a business for VAT purposes.

If you want to know whether this affects you, you can telephone our National Advice Service or write to your nearest enquiries office.

## 4.6.5 Some particular situations

### (a) Grants or donations

Non-business activities are often financed largely from grants or donations. As long as those making the grants or donations receive no direct benefit in return, this income is not the consideration for any supply and is outside the scope of VAT.

### (b) Activities are mainly non-business

A body whose main activities are non-business may still have some activities which count as business for VAT purposes, such as selling goods to raise funds, running a staff canteen or charging admission fees. If the taxable turnover from these activities is over the registration limits, the body should be registered for VAT.

### (c) Charities

Notice 701/1 Charities gives more information on non-business activities for such bodies.

### (d) Local authorities and similar bodies

Special rules apply if you are a body covered by the Value Added Tax Act 1994, Section 33 (see Notice 749 Local authorities and similar bodies).

## 4.6.6 What if I am involved in both business and non-business activity?

If you are charged VAT on goods and services which you get for...	Then you...
your business	can treat this as input tax (see Section 10).
your non-business activity	cannot treat this as input tax. (see 4.6.3 above).
both business <b>and</b> non-business activity	must apportion the VAT (see Section 33).

## 4.7 The United Kingdom, Isle of Man and the Channel Islands

### 4.7.1 United Kingdom

The United Kingdom is made up of Great Britain, Northern Ireland and the territorial waters. It does not include the Channel Islands or the Isle of Man.

However, for VAT purposes the Isle of Man is treated as part of the UK. If you have customers or suppliers in the Isle of Man, the VAT rules are the same as if they were in the UK. Goods sent from the UK to the Isle of Man or vice versa do not count as imports or exports for VAT purposes.

## 4.7.2 Isle of Man

VAT is chargeable in the Isle of Man under Manx law which generally parallels UK legislation. References in this notice to the UK also apply to the Isle of Man unless the text indicates otherwise.

## 4.7.3 Channel Islands

There is no VAT in the Channel Islands. Goods passing between the Channel Islands and the UK or the Isle of Man are imported or exported for VAT purposes. See Section 5.

# 4.8 Place of supply

## 4.8.1 Introduction

To be within the UK VAT system a supply must be made in the UK. Supplies made outside the UK are outside the scope of UK VAT. Separate rules apply for working out the place of supply for goods and services. These are set out below.

## 4.8.2 Goods

If your supply involves...	Then your supply takes place...
goods located in the UK when supplied	in the UK.
goods located outside the UK when supplied	outside the UK.
goods you install or assemble in the UK	in the UK. See Notice 725 The Single Market for further information.
goods you install or assemble outside the UK	outside the UK.
goods you supply from the UK to another EC Member State under distance selling arrangements – see Notice 700/1 Should I be registered for VAT? – where the value of your supplies in a calendar year is <b>below</b> the distance selling threshold set by that Member State	in the UK.
goods you supply from the UK to another EC Member State under distance selling	in the EC Member State to which the

arrangements – see Notice 700/1 Should I be registered for VAT? – where the value of your supplies in a calendar year is <b>above</b> the distance selling threshold set by that Member State	goods were delivered.
the importation of goods by you, or under your directions, from outside the EC	in the UK.
the importation of goods from outside the EC by your customer	outside the UK.
the removal of goods from the UK for export outside the EC or to another EC Member State outside the distance selling arrangements – see Notice 700/1	in the UK.
the removal of goods to the UK from another EC Member State, outside the distance selling arrangements – see Notice 700/1	in the Member State from which the goods were removed.

**Note:** Where supplies take place in the UK, the supplier may be liable to register here and account for VAT on their supplies. No UK VAT would be chargeable on supplies that take place outside the UK.

If you are unsure about the place of supply of goods, you can get further advice by calling our National Advice Service, or writing to your nearest enquiries office.

### 4.8.3 Services

You supply services in the place where you belong (this is known as the basic rule) unless they are of a type for which there are special place of supply rules.

You belong where you have a business or some other fixed establishment, including a branch or agency. If you have no such establishment, you belong where you usually live. In the case of a company this is where it is legally constituted. If you have establishments in more than one country, the supply takes place at the location of the establishment most directly concerned with the supply.

Special place of supply rules include the following:

- services relating to land and property;
- services involving physical performance;
- passenger transport;
- freight transport including intra-EC transport and related ancillary services and the services of intermediaries arranging those supplies;

- the hiring of means of transport;
- goods on hire;
- telecommunications services;
- certain intermediary services; and
- services supplied where received - mainly “intellectual” in character - (listed in the VAT Act 1994, Schedule 5, paragraphs 1 to 8 - see Section 31 of this notice).

If you buy from a third party travel, hotel, holiday and certain other supplies of a kind enjoyed by travellers, and resell them as principal, or as an agent acting in its own name, there are different place of supply rules. See Notice 709/5 Tour operators’ margin scheme.

**You will find more information about this subject in Notice 741 Place of supply of services.**

## **5. General explanation of VAT: imports, exports, acquisitions and intra-EC supplies**

### **5.1 Introduction**

VAT is not only a tax on supplies. It is also a tax on the importation or acquisition of most goods - and of some services - received from outside the UK.

### **5.2 Imported goods**

When goods are imported into the UK from outside the EC, VAT is normally due at the same rate as on a supply of those goods in the UK.

VAT must be paid when you import the goods or, if you or your agent is approved for duty deferment, you can defer payment with any duty.

If you import goods into the UK from outside the EC, you should read Notice 702 Imports and Notice 101 Deferring duty, VAT and other charges.

### **5.3 Warehoused goods**

Similar arrangements to those above apply if you remove goods from an approved warehouse.

You should read the following Notices:

<b>Notice number</b>	<b>Title</b>
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197	Excise goods: Holding and movement,
179	Mineral (Hydrocarbon) Oils: Duty and VAT: Warehousing and related procedures, or
232	Customs warehousing, and
702/9	Warehousing and free zones.

## 5.4 Services received from outside the UK

If you receive from outside the UK for business purposes, any of the services listed in Section 31, the services are treated as if you supply them, and **you** must account for output tax on them.

If you have read Section 31 and you think that you might receive services of this kind from outside the UK, please read Notice 741 Place of supply of services.

If you receive from outside the UK any of the services listed in Section 31, their value counts towards your taxable turnover. This applies even if the only supplies you make in the UK are exempt.

If you are registered for VAT in the UK...

And you...	Then you...
receive any service, the place of supply of which is the UK (other than those listed in the VAT Act 1994, Schedule 5, paragraphs 1 to 8 - see Section 31 of this notice) from a person who belongs outside the UK	may be required to account for VAT under the "reverse charge" procedure (see Notice 741 Place of Supply of Services).

If you are a non-UK supplier of these services and your customer does not supply a UK VAT registration number, please see Notice 741.

## 5.5 Free zones

VAT is not due on the importation of goods into a free zone.

Import VAT is due only on goods removed from a free zone into the rest of the UK and on goods used or consumed within a zone.

If goods...	Then import VAT is...
of UK origin which have been in a free zone are removed in an unaltered state, for home use	not due.
manufactured in a zone are removed into	due only on the value of any imported



the UK for use in the owner's business, as opposed to being sold or disposed of	elements of the goods.
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Supplies of goods and services to, from and within a free zone are taxable in the normal way. If you need more information you should read Notice 702/9 Warehousing and free zones.

## 5.6 Exported goods

If you export goods to a customer outside the EC, your supply is normally zero-rated provided that you meet the appropriate conditions.

There are a number of notices which deal with exports. You will find out more about these, and the conditions which you must meet to zero-rate your supplies, in Notice 703 Exports and removals of goods from the United Kingdom.

## 5.7 Exported services

Some supplies of services to overseas customers are zero-rated, but many are standard-rated. You will find more about this in Section 29.

## 5.8 Intra-EC supplies of goods

If you supply goods to a VAT-registered customer in another EC Member State and the goods are removed from the UK to another EC country, your supply may be zero-rated provided you meet the appropriate conditions.

You will find out more about the VAT treatment of supplies of goods within the Single Market, and the conditions you must meet to zero-rate your supplies, in Notice 725 The Single Market.

### 5.8.1 EC Sales List

Since 1 January 1993, UK traders registered for VAT who make supplies of goods to traders registered for VAT in the other Member States have been required to send in lists of their EC supplies. The EC Sales Lists are used to control the taxation on movements of goods within the EC.

You will find more details about EC Sales Lists in Notice 725 The Single Market.

### 5.8.2 Intrastat

You should show the value of the supply to or acquisition of goods from other EC Member States in Boxes 8 or 9 respectively of the VAT return.

Depending on the level of your trade with other EC Member States, you may be required to submit more detailed statistical declarations. These are known as INTRASTAT Supplementary Declarations.

You will find a more detailed explanation of the INTRASTAT system in Notice 60 The Intrastat General Guide.

### 5.8.3 Acquisitions

If...	And...	Then...
you purchase goods from a VAT-registered business in another EC country	the goods are removed to the UK	you may be required to account for VAT in the UK on the acquisition of the goods.  This VAT can be recovered as input tax on the same VAT return, subject to the normal rules for reclaiming input tax.

## 6. General explanation of VAT: registering for VAT

### 6.1 Requirement to be registered

#### 6.1.1 Taxable supplies

The supply of any goods and services, which are subject to VAT at any rate, including the zero-rate, are called taxable supplies. They are called taxable supplies whether you are registered for VAT or not.

#### 6.1.2 When must I register and start to charge VAT?

If the value of your taxable supplies is over a specified limit, you must register for VAT, unless your taxable supplies are wholly or mainly zero-rated in which case you may apply for exemption from registration. The limits are shown in the supplement to Notice 700/1 Should I be registered for VAT?

If you are registered for VAT, you must charge and account for VAT on all your taxable supplies from the date that you are first registered.

For further information see Notice 700/1 Should I be registered for VAT? Notice 700/1 also explains how to apply for:

- exemption from registration if your taxable supplies are wholly or mainly zero-rated; and
- voluntary registration if the value of your taxable supplies is below the limits for compulsory registration.

If you are a local authority, special rules apply regarding VAT registration - see Notice 749 Local authorities and similar bodies.

### 6.1.3 When do I notify you?

You must notify our National Registration Service within 30 days of your liability to be registered arising. You may be liable to a financial penalty if you fail to notify at the proper time.

You can find details of our National Registration Service offices:

- in the supplement to Notice 700/1;
- on our website, under VAT; or
- by calling our National Advice Service on 0845 010 9000.

### 6.1.4 Who can be registered?

It is the person, not the business, who is registered for VAT and each registration covers all the business activities of the registered person. The person to be registered can be, for example:

- a sole proprietor;
- a partnership;
- a limited company;
- a club;
- an association; or
- a charity.

## 6.2 Are there other situations where I could be liable to be registered for VAT?

Yes. If you are not already registered, or liable to be registered for VAT in respect of taxable supplies, there are some other circumstances in which you may become liable to be registered.

### 6.2.1 Acquisitions

If you are not already registered for VAT...

And you...	Then you...
<b>acquire</b> goods in the UK direct from another EC Member State, and the total	must register for VAT in the UK.

value of these goods exceeds a certain limit	
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## 6.2.2 Distance sales

Distance selling is when a taxable person in one European Community (EC) Member State supplies and delivers goods to a customer in another EC Member State and the customer is not:

- registered for VAT, or
- liable to be registered for VAT.

The most common example of distance sales is mail order sales.

If you are a supplier in another EC member state and not already registered for VAT in the UK

<b>And...</b>	<b>Then you...</b>
the value of your distance sales to the UK exceeds certain limits	must register for VAT in the UK.
<b>However, if...</b>	<b>Then you...</b>
you make distance sales of goods liable to excise duty in the UK, for example tobacco or alcohol products	must register for VAT in the UK regardless of the value of these goods.

You can find further information about registration in respect of acquisitions or distance sales in the UK in Notice 700/1 Should I be registered for VAT? Notice 700/1 also explains how to apply for voluntary registration for acquisitions or distance sales if the value of these is below the limits for compulsory registration.

## 6.2.3 Relevant supplies by Non Established Taxable Persons (NETPs) and unregistered UK businesses

### (a) What is an NETP?

An NETP is any person who is not normally resident in the UK, and does not have a business establishment here and, in the case of a company, is not incorporated here. NETPs who make:

- taxable supplies;
- distance sales; or
- acquisitions in the UK

above the relevant limits, must register and account for VAT here.

**(b) Relevant supplies**

An NETP who makes relevant supplies in the UK must register here, irrespective of the value of those relevant supplies. A relevant supply is the disposal of a capital asset by the NETP in the UK, where the NETP's purchase of the goods (or anything incorporated in them) included UK VAT which the NETP recovered under the EC's 8th or 13th Directive refund arrangements.

Notice 723 Refunds of VAT in the European Community for EC and non-EC businesses gives further information about the refund scheme.

**(c) Disposal of capital assets**

If an unregistered UK business disposes of capital assets, and those assets were purchased from another person who had received (or any predecessor of that other person had received) a refund of UK VAT on the capital asset concerned (or anything incorporated in it) under the arrangements at (b) above, the disposal of the capital asset by the unregistered UK business is a relevant supply. The unregistered business must register and account for UK VAT on the disposal of the capital asset, irrespective of the value of that asset.

Further information about NETPs, relevant supplies and the meaning of business establishment and predecessor for these purposes, is in Notice 700/1 Should I be registered for VAT?

## **6.3 Services from abroad**

If you receive services from abroad - see paragraph 5.4 - you must take their value into account when working out whether you must be registered. You may still have to be registered, even though you make no other types of taxable supplies or the value of your other types of taxable supplies are below the registration limits.

## **6.4 What should I do if I am VAT registered and make some exempt supplies?**

If you are a taxable person and make some exempt supplies, please read paragraph 13.1.

## **6.5 What if I have separated my business into smaller parts?**

Where a business has been artificially separated into smaller parts and this results in the avoidance of VAT, we have power to direct that the persons running these activities be treated as a single taxable person and registered. For further information see Notice 700/1 Should I be registered for VAT?

You have the right to appeal to an independent VAT and Duties Tribunal against the issue of such a direction (see Section 28).

## 6.6 When is it possible to register as a VAT group or have a Divisional registration?

In certain circumstances a group of limited companies may apply to be treated as a single taxable person for VAT registration purposes, or a company may be allowed to register in separate divisions. For further information, see Notice 700/2 Group and Divisional Registrations.

## 6.7 Would I have to register for VAT if I am resident abroad?

If you are resident abroad with a business in this country making taxable supplies, distance sales or acquisitions in the UK you may have to be registered for VAT if their value is over the relevant threshold. Even if you do not make any taxable supplies in the UK but have an establishment here that incurs UK VAT, you may wish to apply for registration on a voluntary basis. For further information see Notice 700/1 Should I be registered for VAT?

## 6.8 How do I register if I am part of a joint venture?

If you and some other person intend to co-operate in making taxable supplies, distance sales or acquisitions in the UK as a joint venture, this may count as a partnership which would be a new and separate person for VAT registration purposes. The joint venture may be liable to register if the value of taxable supplies etc is above the relevant thresholds.

If you are unsure whether the arrangements you have entered into count as a partnership for these purposes, contact our National Registration Service for advice.

# 7. Output tax: introduction and tax value

## 7.1 What is output tax?

Output tax is the VAT that is due on your taxable supplies. It is also due in certain other circumstances.

This guidance explains the general rules about output tax, including the amount of tax due and tells you about some special rules for particular cases.

It is in three sections:

Section	Subject
7	Introduction and tax value

8	Particular situations
9	Business and non-business use

You will also find it helpful to read Notice 700/15 The Ins and Outs of VAT.

## 7.2 What is tax value?

The tax value of a supply is the value on which VAT is due. The amount of VAT is the tax value multiplied by the tax rate.

The tax value of a supply depends on what you are given in exchange for the supply. This is called the consideration. A consideration is any form of payment in money or in kind, including anything which is itself a supply.

The consideration for a supply includes any payment that you are given to cover your costs in making the supply, unless you incur the costs as an agent (see Sections 22 to 25).

## 7.3 What if the consideration is wholly in money?

If the consideration for a supply is wholly an amount of money, the tax value is based on that amount. The amount paid includes tax. The tax is the VAT fraction of the amount and the rest of the amount is the tax value.

### 7.3.1 VAT fractions

Tax is normally calculated at the appropriate percentage of a price that has first been decided without VAT, and the VAT invoice will show these separate amounts. However, sometimes VAT has to be calculated from a price in which it is already included (for example, in the less detailed VAT invoices described in paragraph 16.6.1). To do this, you need the VAT fraction.

For example:

If you sell something at ...	And the VAT rate is...	Then the amount of VAT is...
£2.40	20%	£0.40

**However**, £0.40 is not 20% of £2.40. It is 1/6 of £2.40.

This is how it is worked out:

$$100 + \text{rate of tax} \quad \text{Rate of tax}$$

$$\text{So, with VAT at 20\% the VAT fraction is: } \frac{20}{120} = \frac{1}{6}$$

The VAT fraction varies according to the rate of tax chargeable. For example:

<b>Rate of tax</b>	5%	8%	10%	12.5%	15%	17.5%	20%	25%
<b>VAT Fraction</b>	$\frac{1}{21}$	$\frac{2}{27}$	$\frac{1}{11}$	$\frac{1}{9}$	$\frac{3}{23}$	$\frac{7}{47}$	$\frac{1}{6}$	$\frac{1}{5}$

**Note:** We will publicise the revised VAT fractions at the time of any change in rates, but you can work it out for yourself by using the method set out above.

### 7.3.2 Discounts

The following rules apply if you offer discounts to your customers.

(a) **Unconditional discounts**

<b>If...</b>	<b>And...</b>	<b>Then...</b>
you offer a customer an unconditional discount	the customer pays the discounted amount	the tax value is based on the discounted amount.

(b) **Discounts for prompt payment**

<b>If...</b>	<b>Then...</b>	<b>But...</b>
you offer a discount on condition that the customer pays within a specified time	the tax value is based on the discounted amount even if the customer does not take up your offer.	if your terms allow the customer to pay by instalments, the tax value is based on the amount the customer actually pays.

(c) **Contingent discounts**

<b>If...</b>	<b>Then...</b>
you offer a discount on condition that something happens later (for example, on condition that the customer buys more from you)	the tax value is based on the full amount paid. If the customer later earns the discount, the tax value is then reduced and you can adjust the amount of tax by issuing a credit note (see paragraph 18.2).



## 7.4 What if the consideration is not wholly in money?

If the consideration for a supply is not in money (as in a barter transaction - see paragraph 8.7) or the consideration is partly in money and partly something else (as in part-exchange), the tax value of the supply is the monetary equivalent of the consideration.

You should normally calculate this by reference to the price, excluding VAT, which a customer would have to pay for the supply if money was the only consideration.

## 7.5 Other rules about tax value

Some special rules about tax value are explained in the paragraphs of these sections on output tax that deal with particular types of transaction. See also:

- Notice 725 The Single Market for the tax value of intra-Community acquisition of goods; and
- Notice 702 Imports for the tax value of imported goods.

## 7.6 Cost of supply

For some types of transaction, explained in paragraphs 8.9.1 and 9.3, you will need to know the **cost** of a supply.

If the transaction is a supply of...	Then...
Goods	cost means what it would cost you to purchase the goods in question at the time of the supply. If no such purchase price can be ascertained, value is what it would cost to produce the goods at that time.
Services	the cost of the supply is determined by reference to the standard-rated costs of making the deemed supply (see also paragraph 9.3.2).

## 7.7 Values expressed in a foreign currency

**Paragraph 7.7 in this notice has the force of law under the VAT Act 1994, Schedule 6, Paragraph 11.**

For VAT purposes, amounts of money must always be expressed in sterling. If you need to convert an amount from a foreign currency into sterling, you must do so on the following basis:

(a) Unless you have adopted one of the alternatives set out below, you must use the UK market selling rate at the time of the supply. The rates published in national newspapers will be acceptable as evidence of the rates at the relevant time; or

(b) As an alternative, you may use the period rate of exchange published by HM Revenue & Customs for customs purposes. Our National Advice Service can give you details of particular period rates. You may adopt this alternative for **all** your supplies or for all supplies of a particular class or description. If you opt for only a particular class or description, you should make a note of the details in your records at the time of adoption.

You do not need to notify us in advance if you wish to adopt this alternative, but having made such an option, you cannot then change it without first getting the agreement of the VAT Business Centre for your area; or

(c) You may apply in writing to the VAT Business Centre for your area to use a rate - or method of determining a rate - which you use for commercial purposes but which is not covered by (a) or (b) above.

In considering whether to allow such applications, local VAT offices will take into account:

- whether the proposed rate or method is determined by reference to the UK currency market;
- whether it is objectively verifiable; and
- the frequency with which it is proposed to update it. Forward rates or methods deriving from forward rates are not acceptable.

**Whatever rate or method you adopt, the appropriate rate for any supply is that current at the time of the supply.**

If you make supplies that fall within the tour operators' margin scheme, see Notice 709/5 Tour operators' margin scheme for details of how to convert the value of your purchases.

## 7.8 Excise duty

In the case of goods subject to excise duty, the tax value is the value determined according to the principles outlined above in this section, plus the duty.

## 8. Output tax: particular situations

### 8.1 Mixed supplies

You make mixed supplies where you charge a single inclusive price for a number of separate supplies of goods or services. This is different from a single supply of a mixture of goods or services, to which a single rate of tax applies. See paragraph 8.2 for guidance on goods and packaging and paragraph 8.3 for guidance on goods and delivery.

If you make mixed supplies

And the individual supplies are ...	Then you ...
liable to VAT at the same rate	can calculate the tax that is due in the normal way.
<b>not</b> liable to VAT at the same rate	need to work out the tax value of each supply in order to calculate how much tax is due. If the tax value is based on the total price you charge (see paragraph 7.3) you do this by splitting that price between the supplies. This is called an <b>apportionment</b> .

#### 8.1.1 Apportionment

There is no special method of apportionment, unless you are using the tour operators' margin scheme, when you must use the method set out in Notice 709/5. However, your calculations must be fair and you must be able to justify them. It is usually best to use one of the methods shown in Section 32.

#### 8.1.2 When is apportionment necessary?

Apportionment is only necessary if the price you charge is the only consideration for the supplies (see paragraph 7.3). If the consideration for the supplies is not wholly in money, you must account for VAT as explained in paragraph 7.4.

You must not use apportionment if the goods and services supplied together make up a single, indivisible supply. For example, a launderette supplies a single service of washing or drying clothes, taxable at the standard rate. It cannot be treated as supplying separate goods and services, such as water, heat, or use of the machines. You should contact our National Advice Service for advice if you have any doubt on this point.

## 8.2 Packaging

Normal and necessary packaging, including ordinary tins, bottles and jars, is treated as part of the goods which it contains. The price which your customer pays is treated as a payment for the contents of the packaging alone. This means that if your supply of the contents is zero-rated, then zero-rating also applies to the packaging.

But

If...	Then...
the packaging is more than is normal and necessary	there is a mixed supply (see paragraph 8.1) and VAT is due on the packaging. This applies to storage containers and other types of packaging which could be sold separately.
you make an additional charge with a supply of goods for their container, to ensure that it is safely returned - and the charge is to be refunded on its safe return	this additional charge is not subject to VAT. However, if the charge has been raised to cover the loan, hire or use of the container, then this charge would be subject to VAT at the standard rate.

## 8.3 Delivery charges (postage and packing etc)

When you supply goods,

If you ...	Then the...
make an arrangement to deliver or post them for an extra charge	extra charge is for the supply of a separate delivery service.
send goods by post	charge made to you by the Post Office is exempt, but your charge to your customer is taxable even if it is exactly equal to the charge made to you by the Post Office.

If you supply delivery services see Notice 744B Freight transport and associated services.

However,

If...	Then...
the terms of your agreement with your customer for the supply of the goods require you to deliver or post them to the	there is no separate supply of delivery or postage. This applies even if you show a separate charge.

customer	This means that you make a single supply of delivered goods and, if the supply of the goods is zero-rated, then the zero-rating also covers the delivery or postage. This applies to most mail order transactions, but not if a delivery service is available at an extra charge for customers who request it.
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You will find more about all of this in Notice 700/24 Postage and delivery charges.

## 8.4 Hire-purchase, conditional sale and credit sale

**Hire-purchase** occurs under an agreement for the hire of goods for periodic payments, where the hirer has the option to purchase.

**Conditional sale** means the sale of goods where the price is payable by instalments. The goods remain the property of the seller until the full price is paid or the customer meets another condition.

**Credit sale** means the sale of goods which immediately become the property of the customer but where the price is payable by instalments.

These are all supplies of goods, and VAT is due on their full value at the time of supply (tax point); see Sections 14 and 15.

### 8.4.1 Supplies not involving a finance company

If you make an agreement to supply goods in any of the ways outlined above, without involving a finance company, which means you are self financing the credit, your charge for credit will be exempt if it is disclosed as a separate charge to your customer.

The consideration for the taxable supply of goods is the cash price stated in the agreement, before any deposit is paid.

If you supply goods on interest free credit, by arranging with your customer for them to pay for goods over a set period without charging interest, the supply of goods is taxed according to its liability. As there is no charge for credit there is no exempt supply for VAT purposes.

Any connected credit ancillary charges are exempt unless the contract explicitly states that the charge relates, wholly or partially, to the supply of goods. If the supply relates to the credit, normally shown as administration, documentation or acceptance fees it will be exempt.

Fees that relate to goods - such as option fees or fees for transfer of title - are not exempt unless the charge for them is £10 or less.

There is more information about the exempt supplies connected with agreements of this kind in Notice 701/49 Finance and Securities.

## 8.4.2 Supplies involving a finance company

If the finance company...	Then your supply of goods is to...
becomes the owner of goods (for example, when a purchase is financed by a hire-purchase agreement)	the finance company, not to the customer.  <b>Note:</b> This supply is taxable and you do not make an exempt supply. The finance company, in turn, makes a supply of goods and a supply of credit. The supply of credit is exempt if the credit charge is disclosed to the customer in writing.
does <b>not</b> become the owner of the goods (for example, when a purchase is financed by a loan agreement)	your customer. It is not to the finance company, even though that company may pay you direct.  <b>Note:</b> This supply is taxable and tax is due on the selling price to your customer even if you receive a lesser amount from the finance company. You do not make an exempt supply. The finance company makes a supply of credit facilities to the customer in a separate transaction.

## 8.5 Second-hand goods

For most second-hand goods, there is a special scheme which allows you to charge tax on the difference between your buying price and your selling price, rather than on the full selling price. Use of the scheme is optional and is conditional on meeting the scheme rules about record keeping.

There is a simplified version of the scheme, known as Global Accounting, and a variation for use by auctioneers, called the Auctioneers' Scheme.

You will find more about these schemes in Notice 718 Margin Schemes for second-hand goods, works of art, antiques and collectors' items.

## 8.6 Exchange units

These rules govern the exchange of articles as part of your business.

If you...	Then you...
frequently exchange reconditioned	are providing a reconditioning service,

articles for similar but unserviceable articles (for example, spare parts for cars, domestic appliances or other machinery)	and your supply is one of services. You must charge VAT on the full amount you charge for the reconditioned or exchange unit. If you reduce the charge to your customer by giving a refund when the unserviceable article is handed in, you should follow the procedure at paragraph 18.2.
exchange a serviceable article for one which is unserviceable, on a one-off basis; or you exchange goods for other goods at a reduced price in any other circumstances	must treat it as part-exchange. Paragraph 7.4 explains how you should calculate the VAT due.

## 8.7 Barter and part-exchange

If you supply services, or new or second-hand goods, and receive other goods or services in full or part-payment, two separate supplies take place. There is a supply of goods or services from you to your customer and a supply of goods or services by the customer to you.

Both you and your customer must account for VAT if the customer is a taxable person. Paragraph 7.4 explains how you work out the value of these supplies.

## 8.8 Samples of goods

You may supply samples of your business supplies and this will not be a supply for VAT purposes providing that the following conditions are met.

### 8.8.1 General

The general conditions are that you:

- make no charge for them;
- supply them for genuine business purposes as an illustrative or typical example of your product; and
- supply to any person only one example of each product that is identical or not different in any material respect. If you supply more than one identical (or not materially different) sample, all but one is a supply for VAT purposes; but see 8.8.2.

## **8.8.2 Samples given for testing**

You may exceed the limit of only one example of each product being given to any person (see 8.8.1) if you can show that the items given are for quality assurance testing, either on your own behalf, or by a potential customer. You must meet all other conditions.

## **8.8.3 Samples given to the general public via an intermediary**

(For example, samples supplied by a manufacturer to a retailer for giving away as samples to the retailer's customers).

As long as:

- neither you, nor the intermediary charge for them;
- you supply them for genuine business purposes and they are to be given as an illustrative or typical example of your product;
- the final customer receives only one example of each product;
- the samples remain your property until they are given to the final customer; and
- any samples which are not used are returned to you or destroyed,

then, since each sample meets the general rules, no VAT is due.

If you sell goods given to you as samples, VAT is due on the sale.

## **8.9 Gifts**

### **8.9.1 General**

An article is a gift where the donor is not obliged to give it and the recipient is not obliged to do or give anything in return. Competition prizes are usually treated as gifts.

A gift of goods is normally a taxable supply and VAT is due on the cost of the goods (see paragraph 7.6). VAT is not due on certain gifts of goods (see 8.9.3 below).

A gift of services is not a taxable supply. But you must remember that lending someone an item from your business for use outside your business is a taxable supply (see paragraph 9.3).

### **8.9.2 Goods and services supplied as inducements**

You might offer someone a "gift" on condition that they:



- buy something from you;
- provide something for you; or
- perform some other action of benefit to you.

Goods and services supplied in these circumstances are not true gifts and VAT is due on the basis explained in paragraph 7.4. See Notice 700/7 Business promotion schemes for the special rules for this kind of supply.

### 8.9.3 Gifts on which VAT is not due

VAT is not due on:

- any business gifts made to the same person in any 12-month period, where the total cost does not exceed £50;
- a free meal to one of your employees.

A gift of goods is zero-rated if it is given to a:

- charity for sale or export by it; or
- taxable person (such as a charity trading subsidiary) passing all the profits of sale to a charity.

## 8.10 Loss of goods

This paragraph explains when VAT is due if goods are lost, stolen or destroyed.

If...	Then VAT...
you have not supplied the goods	is not due.
you have supplied the goods	is due.
goods are lost on their way to your customer and the contract makes the customer responsible for any loss before delivery	is due.
goods are lost on their way to a customer and the contract makes you responsible for any loss before delivery and:	
(a) you have issued a <b>VAT invoice</b> (see sections 16 and 17) to the customer; or (b) you have <b>not</b> issued a VAT invoice	(a) is due on the amount shown less any credit you allow your customer. (b) is not due because you have not made a supply.

damaged goods are surrendered to an insurer under the terms of an insurance policy	is not due.
you have been defrauded of goods	may not be due if you report the fraud to the police. You should contact our National Advice Service for advice.

## 8.11 Goods sold in satisfaction of a debt

A supply takes place if a registered person's business assets are sold in satisfaction of a debt. Paragraph 18.4 tells you how to deal with these sales.

## 8.12 Payphones and phonecards

### 8.12.1 Payphones

If you rent a payphone from British Telecom or another supplier, you make supplies to the users of the telephone and VAT is due on these supplies. The VAT fraction (see paragraph 7.3.1) of the money removed is your output tax.

**Note:** With some payphone installations, it is possible to switch from payphone mode to domestic mode and make calls without inserting money. If you use the domestic mode to make non-business calls, you cannot treat all the VAT you are charged by your supplier as input tax. You will find more about what to do in Section 33.

### 8.12.2 Phonecards

If you act as an agent in the sale of phonecards, you are making a standard-rated supply. You must account for VAT on the commission received from your supplier. If you use a retail scheme, you will find more about what to do in the notice for the scheme you use. See also Notice 700/7 Business Promotion Schemes.

## 8.13 Cancellation charges, forfeited deposits and booking fees

### 8.13.1 Charges, deposits and fees

If...	Then...
you make a cancellation charge when your customer cancels a booking	no VAT is due on the charge because it is not a payment for a supply.
your customer has to forfeit a deposit	you can reclaim any VAT you have already accounted for on your next return.

as an agent, you charge a customer a booking fee, for example, for making a hotel reservation	that fee is the consideration for a taxable supply even if the customer does not take up the hotel room.
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### 8.13.2 Guarantees or insurance

If...	Then...
you provide a guarantee or insurance against your customer having to pay cancellation charges	VAT is due on the charge that you make to the customer.
But if...	Then...
you arrange for insurance to be provided to your customer along with your goods or services and, under the policy, it is the individual customer's risk which is insured	your supply of arranging the insurance may be exempt providing certain disclosure provisions are met. See Notice 701/36 Insurance for further details.

## 8.14 Service charges and tips

If you make a service charge it is standard-rated. If a customer freely gives a tip over and above your total charge no VAT is due on the tip - it is outside the scope of the tax.

## 8.15 Government departments, local authorities, visiting forces etc

If you supply goods or services to government departments (including health authorities), non-Departmental public bodies, local authorities, embassies, foreign missions or international organisations in the UK, you should charge and account for VAT in the usual way.

If you receive supplies from government departments (including health authorities) or local authorities, you may be charged VAT.

If you make supplies of goods to visiting armed forces stationed in the UK, they can be relieved of VAT provided you meet certain conditions. You should contact our National Advice Service for advice.

## 9. Output tax: business and non-business use

### 9.1 Disposal of business assets

If you dispose of goods which form part of the assets of your business - for example, you sell them, give them away or take them into private use - this is normally a supply for VAT purposes and, where it is a taxable supply, you will have to account for VAT on the disposal.

However, special rules apply if you sell your business as a going concern. See paragraph 26.10 for details.

VAT may also be due on stocks and assets on hand when you deregister. See Notice 700/11 Cancelling your registration, unless you are selling the business as a going concern (for which you should see paragraph 26.10).

### 9.2 Use of goods or services in your business

If you use goods or services in your business, which the business itself has made or acquired, no VAT is normally due. This is because you do not make a supply.

However, your use of goods is treated as a **taxable self-supply** if you:

- are a motor manufacturer, vehicle converter or vehicle dealer and use a motor car in your business (see Notice 700/64 Motoring expenses);
- put a car on which you claimed input tax (because it was to be used as a taxi, for self drive hire or giving driving instruction) to some other use; or
- use your own labour to construct a building (other than dwellings or certain other residential buildings) or to increase the floor area of an existing building by 10% or more (see Notice 708 Buildings and construction).

### 9.3 Private use of goods, including road fuel, and services

#### 9.3.1 Goods

When goods that belong to your business are put to a private use outside the business, you make a taxable supply. This includes goods that you have produced yourself, as well as goods from your stock and any other business assets.

Private use includes:

- your own personal use of business assets; and

- use outside the business by anyone else, such as an employee, a relative or a friend.

Here are some common examples of private use:

- you use goods owned by your business for private purposes;
- you give or lend someone an item from your business; and
- your employees use goods that are assets of your business, at weekends or for holidays.

If the goods are put to permanent private use, so that they are no longer business assets, the supply is one of goods. If there is no consideration for the supply, VAT is due on the cost of the supply (see paragraph 7.6).

If the private use is temporary, the supply is one of services. If there is no consideration for the supply, VAT is due on the cost of the supply. Over any period of time, this is the amount of depreciation on the goods **plus** any other standard-rated costs related to the goods **multiplied** by the proportion that the private use forms of the total use.

There are special rules for accounting for VAT on the private use of road fuel. See Notice 700/64 Motoring expenses for details.

### 9.3.2 Services

When services that you acquired wholly for business use are put to a private or other non-business use, you make a supply of services and must account for output tax.

Examples of the type of services affected are:

- computer software; and
- building construction and refurbishment, particularly to domestic premises, which are carried out for the purpose of business but whose use changes over time.

**Not** affected are continuous supplies of services, where you should normally apportion input tax between business and private or non-business use.

To calculate the output tax due, you may use the accounting convention you use for depreciating similar business assets, or any other fair and reasonable method of valuing the cost to you of the private or non-business use.

## 10. Input tax: introduction and general rules

### 10.1 What is input tax?

**Input tax** is the VAT you are charged on your business purchases and expenses, including:

- goods and services supplied to you in the UK;
- goods you import from outside the EC;
- goods you acquire from a taxable person in another EC member state (see Notice 725 The Single Market);
- goods you remove from a warehouse;
- any services listed in Section 31 which you receive from abroad; and
- overheads and research and development costs.

This guidance explains the basic rules about input tax. It is in four sections:

Section	Subject
10	Introduction and general rules
11	VAT paid on goods and services obtained before registration
12	Subsistence, staff entertainment and domestic accommodation expenses
13	Partial exemption

### 10.2 What can I reclaim as input tax?

You can **normally** reclaim input tax that relates to:

- supplies you make which are liable at the standard rate, reduced rate or the zero rate (see Section 3);
- supplies you make which are outside the scope of UK VAT **but** which would be taxable supplies if they were made in the UK; and

- supplies of services you make to a person who belongs outside the EC **or** supplies of services you make which are directly linked to the export of goods to a place outside the EC **and** the making of arrangements for such supplies, **provided** the supply would have been exempt by virtue of any item of Group 2, or any of items 1 to 8 of Group 5, of Schedule 9 to the VAT Act 1994.

You will find more information about supplies of services in Notice 741 Place of supply of services.

## 10.3 What can't I reclaim as input tax?

You **cannot** normally reclaim VAT you have been charged:

- on goods and services not used for your business (see paragraph 4.6.3);
- on goods and services obtained before VAT registration (see Section 11);
- on a car, including fitted accessories and delivery charges (see Notice 700/64 Motoring expenses);
- on business entertainment expenses (see Notice 700/65 Business entertainment);
- if you are a developer, on certain articles that are installed in buildings that you sell or lease at the zero rate (see Notice 708 Buildings and construction);
- on purchases that fall within the tour operators' margin scheme (see Notice 709/5 Tour operators' margin scheme);
- on goods sold to you under one of the VAT second-hand schemes (see paragraph 8.5);
- on assets of a business transferred to you as a going concern (see paragraph 26.10); and
- which relates to exempt supplies (see paragraph 13.1).

## 10.4 How do I reclaim input tax and what amount can I claim?

### 10.4.1 How you reclaim

You reclaim your input tax by deducting it from your output tax when you fill in your VAT return. If your input tax is greater than your output tax, you reclaim the difference from us.

### 10.4.2 Amount of input tax

If...	Then...
you can reclaim input tax in full	the amount to reclaim will be the amount of VAT shown on the VAT invoice from your supplier.
the invoice is a less detailed VAT invoice (see paragraph 16.6.1) which does not show the VAT charged separately	<p>your input tax will be the VAT fraction of the total amount charged for any standard-rated supply (see paragraph 7.3.1).</p> <p>This must be the VAT fraction for the rate of VAT in force at the time of supply (tax point). See Sections 14 and 15.</p>

## 10.5 What are the timescales for reclaiming input tax?

You should normally claim input tax on the VAT return for the period during which the supplier's tax point occurred or, for imported goods, the date of the importation. The timescales for EC acquisitions are given in Notice 725 The Single Market. The tax point (time of supply) will be shown on your supplier's invoice.

### 10.5.1 What if I'm waiting for evidence to claim?

If you are unable to claim input tax in the proper period because you have not yet received the necessary evidence, you can claim it on a return for a later period provided you make that return within 3 years of the date that the return for the proper period was due to be made.

If you are approved to use the cash accounting scheme described in paragraph 19.3, you must not reclaim input tax until you have received the necessary evidence **and** you have paid for the supply. You can find full details of the scheme in Notice 731 Cash accounting.

## 10.6 What evidence do I need to claim input tax?

**You must keep certain records to be able to reclaim input tax. See Section 19 for details.**

To reclaim VAT you have been charged as input tax, you must hold valid evidence that you have received a taxable supply. You can find what counts as acceptable evidence in paragraph 19.7.



## **10.6A Repayment of input tax if you do not pay your supplier**

For supplies received on or after 1 January 2003 you are required to repay any input tax you have reclaimed if you have not paid your supplier within six months of:

- (a) the date of supply (usually taken as the invoice date), or if later
- (b) the due date for payment.

Notice 700/18 Relief from VAT on Bad Debts contains more detailed information on this.

## **10.7 Refunds of VAT paid in other countries**

If you buy goods or services in another Member State of the European Community or in other countries, you may have to pay VAT there. This should not happen if you buy goods for export from that country, but it may apply if, for example, you take part in a trade exhibition.

You cannot treat the VAT of another EC Member State as input tax, but you may be able to reclaim the VAT from the authorities in that Member State if:

- the VAT was paid on goods or services for your business;
- you do not make taxable supplies in the other country; and
- you have no place of business or other residence there.

You may also be able to claim refunds of VAT or similar turnover taxes incurred in some non-European Community countries.

You can find more about this in Notice 723 Refunds of VAT in the European Community for EC and non-EC businesses.

## **10.8 What other publications may help me?**

You will find it helpful to read Notice 700/15 The Ins and Outs of VAT, which provides a brief guide to input tax and output tax.

Special rules apply if you are a body covered by section 33 of the Value Added Tax Act 1994. See Notice 749 Local authorities and similar bodies.

## **11. Input tax: VAT paid on goods and services obtained before VAT registration**

### **11.1 Can I recover VAT paid before registration?**

VAT paid on goods and services that you received before you were registered for VAT is not input tax.

However, when you become registered you can treat this VAT as though it were input tax if you hold acceptable evidence (see paragraph 19.7) and can meet the conditions set out below.

You may only recover VAT you incurred before registration which is attributable to making taxable supplies. The partial exemption de minimis limits (see paragraph 13.1) do not apply to VAT incurred before registration.

Special rules apply if you become registered as a result of having exercised an option to tax certain property transactions. See Notice 742A Opting to tax land and buildings for details.

### **11.2 What are the conditions for treating VAT on goods as input tax?**

You can treat as input tax the VAT on goods which you obtained or imported before you were registered if:

- the goods were supplied to the person who is now registered for VAT;
- the goods were supplied not more than 3 years before the business was registered (however, this condition does not apply if the business was registered before 1 May 1997 and you have not yet made the first return);
- the goods were obtained for the business which is now covered by the VAT registration;
- you still hold the goods or they have been used to make other goods which you still hold; and
- you compile a stock account of the goods. This must show the quantities of goods and the dates when you obtained them. If you used any goods to make other goods, or disposed of them after you were registered for VAT, the account must give details, with dates.

**Remember, you cannot claim VAT incurred on goods consumed before registration such as petrol, electricity or gas.**

If the person who is now registered is a corporate body, you may still be able to reclaim VAT from before it was incorporated. See paragraph 11.4 below.

If you are buying an existing business you should also read paragraph 26.10.

## **11.3 What are the conditions for treating VAT on services as input tax?**

You can treat as input tax the VAT on services which you received before you were registered if:

- the services were supplied to the person who is now registered for VAT;
- the services were received for the purposes of the business which is now covered by the VAT registration and related to its taxable activities. (If the services related partly to such taxable activities and partly to other activities, you must work out what proportion of the use of the services related to the taxable activities);
- the services were received not more than 6 months before you were registered;
- the services were not related to goods which you disposed of before you were registered (such as repairs to a machine which was sold before registration); and
- you compile an account of these services. This must describe the services and the dates when you received them. If the services related to goods which you disposed of after you were registered for VAT, the account must give details, with dates.

If the person who is registered is a corporate body, you may still be able to reclaim VAT from before it was incorporated. See paragraph 11.4 below.

## **11.4 What are the rules for VAT on supplies before incorporation?**

If your business is a corporate body (a company, charity or association), the rules above do not allow you to reclaim any VAT on goods or services obtained before the body was incorporated. But you can treat this VAT as input tax if the:

- rules in paragraphs 11.2 or 11.3 would allow you to do so if the goods or services had been supplied to the person who is now registered for VAT;

- goods or services were obtained or imported by a person who became a member, officer or employee of the body;
- person was reimbursed for the full cost; and
- person was not a taxable person at the time of the supply or importation.

## 12. Input tax: subsistence, staff entertainment and domestic accommodation expenses

### 12.1 Subsistence and staff entertainment expenses

#### 12.1.1 General

If...	Then you...
you pay an employee a flat rate for subsistence expenses	cannot claim as input tax any VAT incurred on those expenses.
the business pays the actual cost of the supplies	can claim the input tax incurred, as explained in 12.1.2 and 12.1.3 below.
the business pays a proportion of the actual costs	can treat as input tax the VAT fraction (see paragraph 7.3.1) of the amount the business pays.

#### 12.1.2 Meals

If...	Then you can treat...
your business provides canteen facilities for you or your staff	all the VAT incurred in providing these facilities as input tax.
your business pays for meals for employees	any VAT incurred as your input tax.
you are a sole proprietor, partner or director	as input tax the VAT on meals you take when you are away from your normal place of work on a business trip.  <b>But</b> you cannot recover the VAT on meals which are not taken for business purposes.

### 12.1.3 Hotel accommodation

When you or your employees are away from your normal place of work on a business trip, you can treat as input tax all the VAT incurred on hotel and similar accommodation.

### 12.1.4 Staff entertainment

You may recover VAT incurred on staff entertainment to the extent that the expenditure relates to the purpose of your business.

**If you provide or pay for accommodation, meals or entertainment for anyone else, you should read Notice 700/65 Business entertainment.**

## 12.2 Domestic accommodation

### 12.2.1 Employees

If your business provides domestic accommodation for employees, you can treat any VAT incurred as input tax.

### 12.2.2 Sole proprietors, partners and directors

<b>If...</b>	<b>Then you...</b>
you are a sole proprietor, partner or director	cannot recover the VAT on expenses such as repair or maintenance connected with your domestic accommodation - even if the business owns the accommodation and bears the cost.
<b>But if...</b>	<b>Then you...</b>
the accommodation is used partly for business purposes (for example, if you use a room for meetings or as your office)	can reclaim as input tax part of the VAT charged. Section 33 explains how you work out how much VAT you can reclaim.

## **12A Input tax: mobile phones provided to employees**

### **12A.1 VAT on the purchase and connection of a mobile phone**

Where a business provides its employees with mobile phones for business use then, regardless of whether it allows private use, it can treat as input tax all the VAT it incurs on purchasing a phone and on standing charges for keeping it connected to the network providing the charges do not contain any element for calls.

### **12A.2 VAT on Mobile Phone Call Charges**

#### **12A.2.1 Business only**

If a business does not allow its employees to make private calls, all of the VAT incurred on the call charges is input tax. HM Revenue & Customs will accept this is the case where a business has imposed clear rules prohibiting private use and enforces them. However we realise that in practice businesses with such a policy often tolerate a small amount of private calls. We are prepared to treat such minimal use as being insignificant for VAT purposes and it will not prevent a business treating all the tax it incurs on calls as input tax.

#### **12A.2.2 Charges for private calls**

If a business charges its employees for any private calls they make, then it may treat the VAT incurred on the calls as input tax, but must account for output tax on the amounts it charges.

#### **12A.2.3 Free private calls**

If a business allows its employees to make private calls without charge, then it must apportion the VAT incurred on the call charges. It is not appropriate for businesses to adopt an alternative treatment of accounting for output tax on the private use.

#### **12A.2.4 Apportioning calls**

Businesses can choose any apportionment method that suits their individual circumstances providing the method chosen produces a fair and reasonable result. For example businesses could analyse a sample of bills taken over a reasonable period of time and use the same ratio for future VAT recovery on mobile phone bills.

## 12A.3 Fixed monthly charges

Where the phone package allows the business to make a certain quantity of calls for a fixed monthly payment and there is no separate standing charge, then it must apportion the VAT on the total charge for the package. Similarly, where the contract is for the purchase of the phone and the advance purchase of a set amount of call time for a single charge, the apportionment will also apply to the whole charge.

## 13. Input tax: partial exemption

### 13.1 Exempt supplies and partial exemption

If you incur input tax that is related to exempt supplies as well as taxable supplies, you are termed as **partly exempt** and you will probably not be able to claim all your input tax.

You must be able to relate your purchases and other expenses to the supplies that you make. Although it is relatively straightforward to work out whether goods or services have been used wholly to make either taxable or exempt supplies, you will probably have also incurred input tax on overheads that you cannot directly attribute in this way.

#### 13.1.1 Apportionment of input tax

You will have to adopt a **partial exemption method** to apportion your input tax. To make this apportionment the standard method uses the relationship of the value of your taxable supplies compared to the value of your total supplies. If you do not think that this is fair and reasonable, you should contact your local VAT Business Centre to seek approval to use another method.

If...	And...	Then...
you incur VAT that is not input tax (see paragraph 4.6.3).	you have to apportion that VAT to determine your input tax	you must work this out before performing any calculation for partial exemption purposes. Partial exemption methods deal only with input tax.

For some traders, whose exempt input tax is minimal, there are rules that allow exempt input tax to be treated as taxable input tax and claimed in full.

You can find out more about all this in Notice 706 Partial exemption.

## 13.2 Capital goods scheme

If you use a capital item (see below) in your business, the VAT incurred on the cost of the item may be subject to adjustments under the capital goods scheme. Adjustments become necessary where there is a change in the extent to which the item is used in making taxable supplies. Adjustments are required over a period of time, known as the adjustment period, which, depending on the item, can be either 5 or 10 years.

Capital items include:

- computers and items of computer equipment with a VAT exclusive cost of £50,000 or more; and
- land, buildings, civil engineering works and refurbishments with a VAT exclusive cost of £250,000 or more.

The capital goods scheme does not apply to assets acquired, or expenditure on assets held solely for resale. These are not capital items.

You will find more information about the capital goods scheme in Notice 706/2 Capital goods scheme.

## 14. Time of supply (tax point): introduction and general rules

### 14.1 Introduction to Time of Supply

The information on this subject is in two sections.

This section provides general information. It explains the rules for working out the time when a supply of goods or services is treated as taking place. This is called the **tax point**. The section includes information on **basic** and **actual** tax points.

Section 15 provides information on some specific situations.

You must account for VAT in the tax period in which the tax point occurs at the rate in force at that time **unless** you use the cash accounting scheme. Notice 731 Cash accounting tells you more about the special rules for this scheme.

If your supplies fall within the tour operators' margin scheme, you **must** follow the rules for the particular scheme you are using, even if these conflict with the tax point rules set out in this section. See Notice 709/5 Tour operators' margin scheme for more information.

You will also find it helpful to read Notice 700/21 Keeping records and accounts.



## 14.2 General information about tax points

### 14.2.1 Basic tax points

If you supply...	Then the basic tax point is...
goods	<b>usually</b> the date when you send them to your customer or the customer takes them away. This includes supplies under hire-purchase, credit sale or conditional sale agreements.
goods <b>but</b> they are not to be sent or taken away (for example because you build them on site)	the date you make them available for your customer to use.
services	the date when the service is performed. It is normally taken as the date when all the work except invoicing is completed.

But whether you supply goods **or** services, the basic tax point is overridden if an **actual** tax point is created under 14.2.2 below.

### 14.2.2 Actual tax points

If you...	Then the...
<b>(a)</b> either issue a VAT invoice or receive a payment <b>before</b> the basic tax point	tax point for the amount you invoice or receive is the date you issue the invoice or receive the payment, <b>whichever happens first</b> .  Payment can include payment by book entry, for example, the off-setting of supplies or mutual debts. The tax point is when the entry is made. If the payment by book entry is in the form of an adjustment in your annual accounts, the tax point is the date the accounts are approved, provided no previous tax point has occurred.
<b>(b)</b> issue a VAT invoice up to 14 days <b>after</b> the basic tax point	date when you issue the invoice becomes the tax point.  But remember that if you have already issued a VAT invoice (for a part payment) or received a payment <b>before</b> the basic tax point, this will have created a tax point under <b>(a)</b> for the amount invoiced or

	received.
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You do not have to follow the 14 day rule, but if you decide not to you must write and tell the VAT Business Centre for your area.

If...	Then...
you wish to have an extension of the 14 day rule	you must apply to the VAT Business Centre for your area, in writing, giving your reasons.

You may need to do this if you normally issue invoices monthly, because an extension would enable you to issue invoices shortly after the end of the month in which you make the supplies.

In your application you must say whether you want to take the last day of the month or the date of issue of the VAT invoice as the tax point. Whichever you decide, you must be consistent if the extension is approved.

If...	Then...
you issue a VAT invoice more than 14 days after the basic tax point without approval to extend the 14 day rule	tax will be due at the basic tax point.  If you have already issued a VAT invoice (for a part payment) or received a payment <b>before</b> the basic tax point, this will have created a tax point under <b>(a)</b> above for the amount invoiced or received.
you want to apply the 14 day rule to certain types of supplies only	you must write to the VAT Business Centre for your area giving your reasons.

**To issue VAT invoices, you must send or give them to your customers for them to keep. A tax point cannot be created simply by preparing an invoice.**

Remember, when a tax point is created by the issue of a VAT invoice, you must account for VAT in your return for the period covering that tax point. You cannot delay accounting for VAT until you have received payment.

### 14.2.3 Deposits

Most deposits serve primarily as advance payments and will create tax points under 14.2.2(a) when you receive them. But some types of deposit are not a consideration for a supply and their receipt does not create a tax point.

For example:-

If...	And...	Then...
you take a deposit as security to ensure the safe	the deposit is either:	no tax point is created.

return of goods you have hired out	refunded when the goods are returned safely; or  forfeited to compensate you for loss or damage	
------------------------------------	---	--

Also,

If...	And...	Then...
a third party acts as a stakeholder (as opposed to an agent of the vendor) in a supply of property	receives a deposit	no tax point is created until the money is released to the vendor.

**Note: If you want to adopt an earlier tax point than that laid down by any of these general rules, you must write to the VAT Business Centre for your area giving your reasons.**

## 14.3 Continuous supplies of goods and services

If you supply services on a continuous basis and receive payments regularly or from time to time, there is a tax point every time you:

- issue a VAT invoice; or
- receive a payment, **whichever happens first.**

If payments are due to be made at regular intervals (for example, by banker's order or direct debit), you can issue a VAT invoice at the start of any period of up to one year (provided that more than one payment is due in the period) to cover all the payments due in that period.

For each payment you should set out the:

- VAT-exclusive amount;
- date on which the payment is due;
- rate of VAT; and
- VAT payable.

If you decide to do this, you do not have to account for tax on any payment until:

- the date on which it is due; or
- the date you receive it, **whichever happens first.**

**Note:** your customer must not reclaim, as input tax, any VAT shown on the VAT invoice until:

- the date on which the payment is due; or
- you have received the payment, whichever happens first.

The same procedures apply to continuous supplies of goods, in the form of water, gas and electricity.

## 14.4 Goods supplied on sale or return, approval or similar terms

When you supply goods on sale or return etc, they have not been sold and you still own them until such time as they are adopted by your customer. **Adoption** means that the customer indicates a wish to keep them. Until your customer does so, your customer has an unqualified right to return them at any time, unless you have agreed a time limit.

You may have fixed a time limit of adoption of less than 12 months from the date when the goods were sent.

If a time limit has...	Then the basic tax point is...
been fixed for a period of 12 months or less	the date when that time limit expires.
not been fixed or fixed for a period of more than 12 months	12 months from the date when the goods were sent.
In either case if your customer adopts the goods before the time limit expires the date of adoption becomes the basic tax point.	

The basic tax point is overridden by the issue of a VAT invoice as set out in paragraph 14.2.2. If you receive a payment which is not returnable, this will normally indicate that the goods have been adopted. The payment of a deposit required as a condition of delivery – which is repayable if the goods are returned - does not constitute adoption.

It is your responsibility to make sure that your customers notify you promptly when they have adopted goods.

## 14.5 Change of tax rate

If there is a change in tax rate or tax liability, the tax point rules are particularly important in working out what rate of VAT to charge. Section 30 gives guidance on the special procedures to follow.

## 15. Time of supply (tax point): other situations

### 15.1 Goods taken for personal or other non-business use

(see paragraph 9.3)

If you take goods out of your business...	Then...
permanently, for non-business use	the tax point is the time when the goods are taken or set aside for this purpose.
temporarily for non-business use, but they are still part of your stock or business assets	there is a tax point each time they are used or - if the non-business use continues over a period of time - on the last day of each tax period that the goods are used or made available for that purpose.

### 15.2 Taxable self-supplies

(see paragraph 9.2)

The tax point for the self-supply of:

- **stationery** is the date when you indicate, by any positive and recorded action, your intention to use the stationery in your business;
- a **motor car** can only be decided once you use the vehicle in your business (for example, as a demonstration model). The tax point is then the date when, by any positive and recorded action, you transferred the car from the new car sales stock; and
- **construction services** is when the service is performed (see Notice 708 Buildings and construction).

### 15.3 Supplies in the construction industry under contracts providing for stage payments

If you make supplies, including design, advisory and supervisory services, under such a contract, the tax point is normally the time you:

- issue a VAT invoice; or

- receive a payment, **whichever happens first.**

However, in some areas, there is a final tax point when the work is completed. You will find more about the tax point rules as they apply in the construction industry in Notice 708 Buildings and construction.

## 15.4 Supplies under contracts (other than stage payment construction contracts) providing for retention payments

The tax point for the payment of retention money is the date when you either:

- issue a VAT invoice; or
- receive any payment, **whichever happens first.**

## 15.5 Supplier's goods in possession of buyer

If...	And...	Then the tax point is the earliest of the following dates:
your customer takes delivery of goods under an agreement where ownership will pass at a future date	the price will not be fixed until that date	when ownership passes to your customer;  when you issue a VAT invoice; or  when you receive any payment.
If...	And...	Then...
the tax point is the date when ownership passes	you issue a VAT invoice within 14 days of that date	the date when the VAT invoice is issued becomes the actual tax point (see paragraph 14.2.2(b)).

## 15.6 Supplies of water, gas or any form of power, heat, refrigeration or ventilation

There is a tax point each time you:

- issue a VAT invoice; or

- receive a payment, **whichever happens first**.

## 15.7 Supplies made through coin operated machines

The tax point for supplies made through coin operated machines, such as vending, amusement and gaming machines, is normally the date the machine is used. Nevertheless, as an accounting convenience, we permit operators to delay accounting for VAT until the takings are removed from the machine.

However, for all other purposes the normal tax point rules apply. This means, for example, that if takings are stolen from a machine, you must still account for VAT in full on the supplies made from the machine.

## 15.8 Royalties and similar payments

If...	Then...
at the time when you supply services, you cannot work out the royalties etc that you will subsequently receive, and which are in addition to any amount already payable for the supply	there will be a further tax point:  each time you receive a payment; or  issue a VAT invoice, <b>whichever happens first</b> .

## 15.9 Property

### 15.9.1 Leasehold

If you receive periodic payments of rent or ground rent, the tax point is:

- the date you receive a payment; or
- the date of issue of a VAT invoice if the supply is standard-rated, **whichever happens first**.

This also applies to any premiums you may receive.

### 15.9.2 Freehold

The basic tax point for a freehold sale is the date of the completion of the conveyance. An earlier tax point is created by:

- the issue of a VAT invoice (where the supply is standard-rated);  
or

- receipt of all or part of the purchase price before the date of legal completion - but see paragraph 14.2.3 for further guidance on deposits.

Under some contracts, further payments may become due dependent on some future event, such as the new owner obtaining planning permission. The tax point for what is a genuinely contingent element of the contract price is:

- the receipt of the payment; or
- issue of a VAT invoice, **whichever happens first**.

### **15.9.3 Compulsory purchase**

Supplies of land made as a result of a compulsory purchase order are subject to the normal tax point rules. However, in cases where the amount to be paid has still to be agreed at the time the land is transferred to the purchasing authority, the tax point is the date payment is eventually received.

## **15.10 Zero-rated and exempt supplies**

You can work out the tax point for any zero-rated or exempt supply you make using the tax point rules set out in the preceding paragraphs in Sections 14 and 15, though references to the issue of a VAT invoice do not apply to such supplies.

## **15.11 Supplies of credit (including credit facilities in hire-purchase transactions)**

A supply of credit is treated as taking place each time you receive a payment (for example, interest) for that supply, unless the VAT Business Centre for your area has approved a written application for an earlier date to be used.

The tax point for goods supplied on credit is worked out according to the general rules in paragraph 14.2.

## **15.12 Imported services**

If you receive from abroad any of the services listed in Section 31, the tax point is the date on which you make a payment or, if the consideration is not in money, the last day of each tax period during which the services are performed.

# **16. VAT invoices: general rules**

## **16.1 Introduction to VAT invoices**

The information on this subject is in two sections.



This section explains:

- the general VAT rules that apply to invoicing;
- the information that a VAT invoice must show; and
- when you can issue simplified invoices.

Section 17 gives information on some specific situations.

### **Other sources of information**

You will find it helpful to read Notice 700/21 Keeping records and accounts.

If you are involved in trade with other European Community (EC) member states, you should refer to Notice 725 The Single Market for guidance on invoicing requirements and keeping records and accounts for those supplies.

The rules for keeping records for Intrastat are similar to records for VAT. You will find information about them in Notice 60 Intrastat General Guide.

## **16.2 General information about VAT invoices**

### **16.2.1 What is a VAT invoice and when should I issue one?**

Whenever you supply standard-rated or reduced-rated goods or services to another registered person, you must give that person a **VAT invoice**.

A VAT invoice is a document containing certain information about what you are supplying. Paragraph 16.3 sets out the information you need to show. Your customers need VAT invoices to reclaim, as input tax, the VAT you have charged them.

You need not issue VAT invoices for supplies to customers who are not VAT registered. In practice, this will probably mean issuing a VAT invoice to any customers who ask for one, as you will usually have no way of telling whether they are VAT registered or not. You do not have to check that a customer is VAT registered before issuing a VAT invoice.

If your customer pays in cash - not by cheque - you must, if asked, clearly show on the VAT invoice that payment has been received, and the date of receipt.

### **16.2.2 Exceptions**

You must issue a VAT invoice to a registered person unless:

- your customer operates self-billing arrangements (see Notice 700/62 Self-Billing) or you issue authenticated receipts (see paragraph 17.4); or

- you make a gift of goods on which VAT is due (see Notice 700/7 Business promotion schemes).

You must not issue VAT invoices for:

- any goods sold under one of the VAT second-hand schemes (see paragraph 8.5). You will find details of the special invoices you have to use in Notice 718 Margin Schemes for second-hand goods, works of art, antiques and collectors' items; or supplies that fall within the tour operators' margin scheme.

### 16.2.3 Time limits

Normal time limits

Unless you have ...	You must...
<p>already issued a VAT invoice that has itself created a tax point, either:</p> <ul style="list-style-type: none"> <li>• before the basic tax point (as explained in paragraph 14.2.2(a)); or</li> <li>• under the 14 day rule (as explained in paragraph 14.2.2(b)) - including any extension allowed under that rule</li> </ul>	<p>normally issue a VAT invoice within 30 days of the tax point arising (Sections 14 and 15 explain when a tax point arises).</p> <p>An invoice issued under the 30 day rule does not in itself create a tax point.</p>

You can extend the 30 day time limit without applying to your VAT Business Centre in the following cases:

- you are awaiting VAT invoices from **your own** suppliers or sub-contractors;
- an extension of the 14 day limit has already been approved;
- special accounting arrangements have been approved; and
- where you are newly registered but have not been notified of your VAT registration number - in this case you must issue the VAT invoice within 30 days from the date of advice of the VAT registration number.

In all cases other than those mentioned above, or if you have any doubt, you **must** apply, in writing, to your local VAT Business Centre if you need an extension of the time limit. General telephone enquiries may be directed to our National Advice Service.

### 16.2.4 Must my invoice be written in English?

No. You may, if you wish, write your invoices in a language other than English. But you must be able to provide English translations of specific invoices within 30 days if asked to do so by a visiting officer. These rules apply to both electronic and paper invoices.

## 16.3 What information is required on a VAT invoice?

### 16.3.1 General

VAT invoices must show:

- an identifying number;
- your name, address and VAT registration number;
- the time of supply (tax point);
- date of issue (if different to the time of supply);
- your customer's name (or trading name) and address;
- a description which identifies the goods or services supplied; and
- the unit price (see paragraph 16.3.2).

For each **description**, you must show the:

- quantity of goods or extent of the services;
- charge made, excluding VAT;
- rate of VAT;
- total charge made, excluding VAT;
- rate of any cash discount offered; and
- total amount of VAT charged, shown in sterling.

### 16.3.2 Unit price

The requirement to include unit price on an invoice applies to countable goods or services. For services the countable element might be, for example,

- an hourly rate;
- or a price for standard services.

If the supply cannot be broken down into countable elements, then the total tax exclusive price will be the unit price. Additionally, the 'unit price' may not need to be shown at all if it

- is not normally provided in a particular business sector; and
- is not required by the customer.

### 16.3.3 Example of a VAT Invoice

You will find an example of a simplified VAT invoice at paragraph 16.7 and in Notice 700/21 Keeping VAT records.

## 16.4 Invoicing in a foreign currency

If you issue VAT invoices in a foreign currency for supplies of goods or services that take place in the UK, you must convert the total amount of VAT payable into sterling (see paragraphs 16.3.1 and 16.6.2). Paragraph 7.7 tells you how to do this.

## 16.5 Invoicing zero-rated or exempt supplies

If...	Then...
you issue a VAT invoice which includes supplies that are zero-rated or exempt	<p>you must ensure that those items show clearly that there is no VAT payable and their values must be totalled separately.</p> <p>You can, of course, issue separate invoices for zero-rated or exempt supplies. This may be a useful way of keeping the necessary records for your business (see paragraph 19.5.1).</p>

## 16.6 Less detailed and modified VAT invoices

If you make retail sales, you should give your customer a VAT invoice if asked for one. However, you may be able to use one of the options described at 16.6.1 and 16.6.2 below (see also paragraph 16.2.1).

**You may be liable to a financial penalty if you do not issue a VAT invoice when asked to do so by a taxable person.**

### 16.6.1 Less detailed VAT invoice

If the charge you make for the individual supply...	Then you...
is £250 or less (including VAT)	<p>can issue an invoice showing:</p> <ul style="list-style-type: none"> <li>• your name, address and VAT registration</li> </ul>

	<p>number;</p> <ul style="list-style-type: none"> <li>• the time of supply (tax point);</li> <li>• a description which identifies the goods or services supplied;</li> <li>• and for each VAT rate applicable, the total amount payable, including VAT and the VAT rate charged.</li> </ul> <p>Exempt supplies must not be included in this type of VAT invoice.</p> <p>To work out the amount of VAT in a VAT-inclusive price, you have to multiply by the VAT fraction (see paragraph 7.3.1).</p>
<p><b>exceeds</b> £250 and you are asked for a VAT invoice</p>	<p>must issue either a:</p> <ul style="list-style-type: none"> <li>• full VAT invoice (see paragraph 16.3): or</li> <li>• modified VAT invoice (see 16.6.2 below).</li> </ul>

If you accept credit cards, such as Visa/Mastercard or Barclaycard, you may adapt the sales voucher you give to the cardholder at the time of the sale to serve as a less detailed VAT invoice.

The credit card voucher should show:

- your name and address;
- the charge made, **including VAT**; and
- the date of sale.

You must add to the voucher:

- your VAT registration number;
- the rate of VAT; and
- a description of the goods or services supplied.

If you also issue an invoice or receipt, only one of the documents may be in the form of a VAT invoice.

## 16.6.2 Modified VAT invoice

Provided your customer agrees, you can issue an invoice showing:

- the **VAT-inclusive** value of each standard-rated or reduced rate supply (instead of the VAT-exclusive values).

At the foot of the invoice, it must show separately the **total**:

- VAT-**inclusive** value of the standard-rated or reduced rate supplies;
- VAT payable on those supplies shown in sterling;
- value, excluding VAT, of those supplies;
- value of any zero-rated supplies included on the invoice; and
- value of any exempt supplies included on the invoice.

In all other respects the invoice should show the details required for a full VAT invoice.

If you are asked for a VAT invoice, but are unable to use either of these options, you must issue a full VAT invoice (see paragraph 16.3).

## 16.7 Example of a completed VAT invoice

Sales Invoice No. 174

From: FOUNDATION TRADING (UK) VAT Reg. No. 987 6543 21  
BOWMAN STREET, CHESTER

To: A.N. OTHER LTD  
57 NORTH ROAD, LONDON N12 5NA

Sale: Time of supply 16/01/11 Date of Issue: 19.01/11

Quantity	Description and price	Amount exclusive of VAT	VAT Rate	VAT Net
6	RADIOS, SW15 @ £25.20	151.20		
4	RECORD PLAYERS @ £23.60	94.40		
6	LAMPS T77 @ £15.55	<u>93.30</u> 338.90	20%	64.39
	DELIVERY (STRICTLY NET)	<u>9.00</u>	20%	1.80
	Terms: Cash discount of 5% if paid within 30 days	347.90		6.19
	VAT	<u>66.19</u>		
	TOTAL	414.09		

## 17. VAT invoices: particular situations and rules

### 17.1 VAT invoices for petrol and diesel oil (derv)

If the VAT-inclusive charge for a sale of petrol or derv is...	Then you may...
£250 or less	issue a less detailed VAT invoice (see paragraph 16.6.1).
more than £250	adapt the information required for a full VAT invoice (see paragraph 16.3) as follows: <ul style="list-style-type: none"><li>• show the registration number of the vehicle instead of the customer's name and address; and</li><li>• you need not show the number of gallons/litres supplied <b>or</b> the type of supply.</li></ul>

### 17.2 Cash and carry wholesalers

If you are a cash and carry wholesaler, you can adapt the till rolls produced by your cash registers to serve as VAT invoices, provided that you meet **all** the following conditions:

- you use a product coding system which clearly identifies the different classes of goods sold. The system should be based on at least 2 digits, possibly 3 if you sell a wide range of products;
- you must prepare and maintain product code lists and provide all your VAT-registered customers with up to date copies of the lists;
- you must ensure that the till roll includes all the details required for a full VAT invoice (see paragraph 16.3); and
- you must keep a copy of till rolls and product code lists for 6 years (unless your VAT office has agreed that you need only keep them for a shorter period).

**If you cannot meet these conditions, you must issue a full VAT invoice when a customer asks for one, showing all the details required by paragraph 16.3.**

## 17.3 Pro-forma invoices

Pro-forma invoices are often used to offer goods or services to potential customers. Such an offer may or may not be taken up, and the goods or services will not be supplied unless payment is received.

If you use pro-forma invoices in this way, they cannot be used as evidence to reclaim input tax, even if they show all the details required for a VAT invoice. You should ensure that they are clearly marked "THIS IS NOT A VAT INVOICE".

If...	Then...
after you have issued such an invoice, you actually supply the goods or services to your customer, or receive payment	you must issue a proper VAT invoice.

## 17.4 Self-billing and authenticated receipts

### 17.4.1 Self-billing

Under a self-billing arrangement, the **customer** makes out VAT invoices for a VAT-registered supplier and sends a copy to the supplier with the payment.

If you want to use a self-billing system for supplies made to you, you must meet the conditions set out in Notice 700/62 Self-Billing.

### 17.4.2 Authenticated receipts

You should not confuse the use of authenticated receipts with self-billing.

**Authenticated receipts** are used in the construction industry in place of VAT invoices for supplies of services or of goods and services made under contracts which provide for periodic payments to be made.

The receipts are only valid for VAT purposes if:

- they contain all the information detailed in paragraph 16.3;
- they are authenticated - that is, signed by the supplier; and
- no normal VAT invoice or self-billed document is issued for the supplies.

You can find more about the use of authenticated receipts in Notice 708 Buildings and construction.



## 17.5 Calculation of VAT on invoices – rounding of amounts

**Note:** The concession in this paragraph to round down amounts of VAT is designed for invoice traders and applies only where the VAT charged to customers and the VAT paid to HM Revenue & Customs is the same. As a general rule, the concession to round down is not appropriate to retailers, who should see paragraph 17.6.

You may round down the total VAT payable on all goods and services shown on a VAT invoice to a whole penny. You can ignore any fraction of a penny.

### 17.5.1 Calculation based on lines of goods or services

If you wish to work out the VAT separately for a line of goods or services, which are included with other goods or services in the same invoice, you should calculate the separate amounts of VAT either by rounding:

- down to the nearest 0.1p - for example, 86.76p would be rounded down to 86.7p; or
- to the nearest 1p or 0.5p - for example, 86.76p would be rounded up to 87p.

Whatever you decide, you must be consistent.

The final total amount of VAT payable may be rounded down to the nearest whole penny.

### 17.5.2 Calculation based on tax per unit or per article

If you want to work out the VAT per unit or per article (for example, for use in price lists), you must work out the amounts of VAT either to:

- 4 digits after the decimal point and then round to 3 digits - for example, if the VAT is £0.0024, it should be rounded to £0.002 (0.2p); or
- the nearest 1p or 0.5p. If you decide to do this, you must not round the VAT down to “nil” on any unit or article that is liable at the standard or reduced rate - for example, if the VAT is £0.0024, it should be rounded to £0.005 (0.5p).

## 17.6 Calculation of VAT at retailers

Most retailers account for VAT using a retail scheme. If that is the way you account for VAT, this paragraph does not affect you.

Retailers are increasingly using sophisticated till technology to identify the VAT due on each transaction and issue an invoice. If you do not use a retail scheme, but instead calculate VAT at line level or invoice level, you must not round the VAT figure **down**. However, you may round (up and down) each VAT calculation.

## 17.7 Computer invoicing

Any invoice produced by your computer, either on paper, magnetic media or for direct transmission, **must** include all the information required for a normal VAT invoice.

You may be able to use a computer to:

- provide your customers with VAT invoices on magnetic tape or disc etc;
- transmit VAT invoice details by electronic means direct to your customers' computers;
- receive VAT invoices on magnetic tape or disc etc from your suppliers; and
- receive VAT invoice details by electronic means from your suppliers direct to your own computer.

Before you do so, you will have to comply with certain conditions as set out in Notice 700/63 Electronic Invoicing.

If you do not use advanced electronic signature, or electronic data interchange (EDI) systems you may find it helpful to seek advice from our National Advice Service as soon as you decide to use computer invoicing.

## 17.8 Transmission of invoices

If you send your VAT invoices to your customers using a fax machine or e-mail, the normal rules regarding VAT invoices apply. Invoices received in this way are acceptable as evidence for input tax deduction, subject to the normal rules.

### 17.8.1 Transmission by fax

This form of transmission relies on both the supplier and the customer having fax machines.

There is a risk with this form of transmission - that the invoice may not be permanent if your customers have thermal-paper fax machines. More modern fax machines copy onto plain paper and these copies are as permanent as normal paper invoices. However, thermal paper copies deteriorate over time, and, as a result, your customers may be unable to fulfil their obligation to preserve their invoices for 6 years.

We therefore advise you to warn customers that the invoices may not be permanent if they have a thermal-paper fax machine. Preferably, this should be by a note on the VAT invoice, but it can be in any form practicable to you.

## 17.9 Using a third party to transmit invoices

You may, if you wish, 'outsource' the physical responsibility for the issuing of your sales invoices to a third party. But you must remember that all the legal obligations relating to the contents, storage and production of the invoices raised remain with you.

You can find out more about the conditions you will need to meet if you are using a third party to issue your invoices electronically at section 8 of Notice 700/63 Electronic Invoicing.

## 18. Credits and debts

### 18.1 Introduction to credits and debts

This section tells you what to do if you:

- allow a credit or contingent discount;
- replace returned goods;
- deal with goods which are sold to satisfy a debt; or
- wish to claim relief from VAT on a bad debt.

### 18.2 Credits and contingent discounts

#### 18.2.1 Introduction

When you allow a credit or contingent discount to a customer who can reclaim all the tax on your supply as input tax, you do not have to adjust the original VAT charge **provided both you and your customer agree not to do so**. Otherwise, you should both adjust the original VAT charge. You should issue a credit note to your customer and keep a copy.

If both parties agree, the customer may issue a tax debit note instead of the supplier issuing a credit note. A valid debit note places the same legal obligations on both parties as a valid credit note and must fulfil the same conditions.

You will find more information in Notice 700/45 How to correct VAT errors and make adjustments or claims.

## 18.2.2 Valid credit or debit notes

To be valid for VAT purposes a credit or debit note must:

- reflect a genuine mistake or overcharge or an agreed reduction in the value of the supply, and be issued within one month of this being discovered or agreed;
- give value to the customer, that is, represent a genuine entitlement (or claim) on the part of the customer for the amount overcharged either to be refunded or offset against the value of future supplies; and
- be headed “credit note” or “debit note” as appropriate and show clearly all the following details:
  - the identifying number and date of issue;
  - the name, address and registration number of the supplier;
  - the name and address of the customer;
  - the reason for its issue - for example, “returned goods”;
  - a description which identifies the goods or services for which credit is being claimed or allowed;
  - the quantity and amount for each description;
  - the total amount credited, excluding VAT;
  - the rate and amount of VAT credited; and
  - the number and date of the original VAT invoice. If you cannot do this (for example, because returned goods cannot be identified with a particular invoice), you must be able to satisfy us by other means that you accounted for VAT on the original supply.

Credits for zero-rated or exempt supplies included in a credit or debit note must be totalled separately and the note must show clearly that no VAT credit has been allowed for them.

If credit notes are issued without VAT adjustment, they should state “This is not a credit note for VAT”. Even if you and your customer decide not to adjust the VAT on credit notes which pass between you, you will still need to adjust your records of outputs and inputs in order to complete your VAT return. Paragraph 19.6 explains how you should record any credits allowed. If you issue invoices to persons in another Member State, credit or debit notes which amend those invoices must contain all the information required to be included on an invoice.

## 18.2.3 Tax rates

The rate of VAT to be used for a credit or debit note is the one which was in force at the time of the tax point of the original supply.

Section 30 tells you what to do if you have to issue a credit note because of a change in tax rate.

## 18.2.4 Accounting for credit or debit notes you issue or receive

When you issue a credit note or receive a debit note, you must adjust:

- the records of the taxable supplies you have made; and
- your output tax for credits allowed.

The accounts or supporting documents must make clear the nature of the adjustment and the reason for it.

You should make any VAT adjustment arising from the issue or receipt of a credit or debit note in the VAT account for the period in which you enter the adjustment in your business accounts. You can only make adjustments to your VAT account for credits which occur within 3 years of the end of the accounting period in which the original supply took place.

If the VAT credits you allow your customers exceed the VAT you charged on your sales in any tax period, you will have a minus figure to enter into the output tax box (Box 1) of your return. You must make it clear that it is a minus figure by:

- writing it in brackets if you use a paper return; or
- inserting a minus sign '-' before the figure if you use an electronic return. (See also paragraph 20.4.2)

## 18.2.5 Bankruptcy, insolvent liquidation and administrative receivership

The tax point for credit or debit notes issued by - or on behalf of - insolvent traders, is the date on which the supply was originally made or received.

## 18.2.6 Cancelled registrations

The tax point for any credit or debit note you issue or receive after the date of cancellation of your registration is the date of the original supply. If this happens after you have already rendered your final VAT return you should contact the VAT Business Centre for your area to arrange for any adjustments to be made.

We will not make any repayment where credit/debit notes do not meet the conditions for validity at 18.2.2 above.

## 18.3 Replacement of returned goods

The following rules apply when you replace returned goods.

If...	Then you may either...
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you replace returned goods with similar goods	let the original VAT charge stand; or cancel it (by issuing a credit note if a VAT invoice has previously been issued) and charge VAT on the replacement goods.
<b>If...</b>	<b>Then...</b>
the original VAT charge is allowed to stand	you need not account for VAT on the replacement goods, provided that they are supplied to the customer free of charge.
<b>If the replacement goods are supplied at a price that is...</b>	<b>Then you...</b>
lower than the original goods	may reduce the VAT charge by issuing a credit note, provided that a VAT invoice has previously been issued.
higher than the original goods	must account for the additional VAT.

## 18.4 Goods sold in satisfaction of a debt

A supply takes place when a registered person's business assets - including property - are sold in satisfaction of a debt. When this is a taxable supply, the proceeds of the sale are treated as tax-inclusive and tax must be accounted for as follows.

### 18.4.1 Goods sold by auction

Within 21 days, the auctioneer must send:

- the tax and a statement on Form VAT 833 to the VAT Central Unit in Southend; and
- a copy of Form VAT 833 to the debtor.

You can get Form VAT 833 by telephoning our National Advice Service.

The auctioneer must also issue a VAT invoice containing the information in paragraph 16.3 but giving the name, address and VAT registration number of the supplier. The auctioneer need not be registered to issue this and should not ask the supplier for a VAT invoice.

### 18.4.2 Goods not sold by auction

The seller (the person with the right to sell the goods) must account for the tax and issue the documents described in paragraph 18.4.1.

### 18.4.3 Exceptions

This procedure does not normally apply to sales by:

- **Liquidators.** As the company in liquidation remains in being, although controlled by the liquidator, sales are made by the company. The company must account for the tax in the normal way.
- **Trustees in bankruptcy.** A bankrupt person's property is vested in the trustee, who then carries on the business in their own right and must account for the tax in the normal way.
- **Administrative receivers.** An administrative receiver usually acts as the agent of the company. If so, tax is accounted for in the normal way. If the administrative receiver is **not** the company's agent, the procedure at 18.4.1 must be used.

## 18.5 Can I claim relief from VAT on bad debts?

You may be able to claim relief from VAT on bad debts provided various conditions are met.

The conditions have varied over time. The present rules mean that you can claim relief on any debts which are more than 6 months old if you have:

- paid the VAT to HM Revenue & Customs;
- written off the debt in your accounts; and
- sent a notification to the purchaser (this condition does not apply to supplies made on or after 1 January 2003).

For supplies made after 1 May 1997, claims must be made within 3 years and 6 months.

If you make a claim and later receive payment, you must refund the appropriate amount to us.

See Notice 700/18 Relief from VAT on Bad Debts for a fuller explanation and details of all the conditions that need to be met. This includes information on when relief is available on supplies made between 1 October 1978 and 26 July 1990.

No relief is available on supplies made before 1 October 1978.

## 19. Records and accounts

### 19.1 Introduction to records and accounts

**All taxable persons must keep and preserve certain records and accounts.**

This section sets out in detail the VAT record-keeping requirements that anyone who is registered for VAT must comply with.

<b>There are several other important sources of information:</b>	
<b>Introduction</b>	You will find it helpful to read Notice 700/21 Keeping records and accounts.
<b>EC trade</b>	If you are involved in trade with other European Community (EC) Member States you should see Notice 725 The Single Market for guidance on invoicing requirements and keeping records and accounts for those supplies.
<b>Intrastat</b>	The rules for keeping records for Intrastat are similar to those for VAT. You will find information about them in Notice 60 Intrastat General Guide.
<b>Imports and Exports</b>	If you are involved in trade with non-EC countries you should see Notice 702 Imports and Notice 703 Exports and removals of goods from the UK.
<b>Retail schemes</b>	If you use a retail scheme you should read this section with the rules for your scheme. You will find more about the schemes in Notice 727 Retail schemes and the individual scheme notices.
<b>Cash accounting</b>	If you account for VAT on the basis of cash received and paid under the cash accounting scheme, you should read this section with the rules set out in Notice 731 Cash accounting.
<b>Second-hand schemes</b>	If you use one of the VAT second-hand schemes, there are special rules about record-keeping and the retention of records. See Notice 718 Margin Schemes for second-hand goods, works of art and collectors' items.
<b>Partly exempt businesses</b>	If you cannot reclaim all your input tax because of the partial exemption rules (see paragraph 13.1), you should also look at Notice 706 Partial exemption. This will tell you about any adjustments that you will have to make to your records.



<b>Capital Goods</b>	If you acquire or create a capital item for use in your business (see paragraph 13.2), you should look at Notice 706/2 Capital goods scheme. This will tell you what records you need to keep in case a capital goods scheme adjustment becomes necessary.
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## 19.2 What records must I keep?

### 19.2.1 General requirements

You must keep records and accounts of all taxable goods and services which you receive or supply in the course of your business. This includes:

- standard-rated;
- reduced-rated; and
- zero-rated supplies.

You must also keep records of any exempt supplies that you make.

In addition, you must keep a summary of the totals of your input tax and output tax for each tax period. This is called a **VAT account** (see paragraph 19.12).

All these records must be kept up to date and must be in sufficient detail to allow you to calculate correctly the amount of VAT that you have to pay to, or can claim from, HM Revenue & Customs.

You do not have to keep these records in any set way. But they must be kept in a way which will enable our officers to check easily the figures that you have used to fill in your VAT return. If your records do not satisfy the requirements set out in this notice, we have the power to direct you to make the necessary changes.

However you decide to keep your records, you must be able to make them readily available to our officers when they ask to see them.

If you have more than one place of business, you must keep a list of all your branches at your principal place of business.

### 19.2.2 For what operations do I need to keep records?

You must keep records of all operations connected with your business which affect the amount of VAT you have to pay or can reclaim.

This includes:

- every supply of goods or services you receive on which you are charged VAT by your suppliers;
- services listed in Section 31 which you receive from abroad;

- every EC acquisition, importation or removal from warehouse;
- all the supplies made by your business (including any zero-rated or exempt supplies);
- any goods you have exported (see paragraph 5.6);
- any gifts or loans of goods;
- any taxable self-supplies - for example, cars; and
- any goods which you acquire or produce in the course of your business which you put to private or other non-business use.

You must also record adjustments such as:

- corrections to your accounts;
- amended VAT invoices;
- any credits you allow or receive; and
- any capital item which you acquire or create for use in your business (see paragraph 13.2).

### 19.2.3 Maintaining and preserving records

You must normally keep your business records for 6 years.

However

If this...	Then...
<ul style="list-style-type: none"> <li>- causes you storage problems;</li> <li>- involves you in undue expense; or</li> <li>- causes you other difficulties</li> </ul>	<p>you can write to the VAT Business Centre for your area to ask if you can keep some of your records for a shorter period.</p> <p>Small businesses with limited storage space may find this particularly useful.</p> <p>You must get the agreement of HM Revenue &amp; Customs before any of your business records are destroyed before 6 years.</p>

Examples of business records include:

- annual accounts, including profit and loss accounts;
- bank statements and paying-in slips;

- cash books and other account books;
- credit or debit notes you issue or receive;
- documentation relating to dispatches/acquisitions of goods to/from EC Member States;
- documents or certificates supporting special VAT treatment such as relief on supplies to visiting forces or zero-rating by certificate;
- import and export documents;
- orders and delivery notes;
- purchase and sales books;
- purchase invoices and copy sales invoices;
- records of daily takings such as till rolls;
- relevant business correspondence; and
- your VAT account.

#### **19.2.4 Microfilm records**

You can keep your records on microfilm or microfiche provided that copies can be easily produced and that there are adequate facilities for allowing our officers to view them when required.

You should get written clearance from the VAT Business Centre for your area before any transfer to microfilm or microfiche. You may be required to operate the old and new systems side by side for a limited period of time.

**We have power to refuse or withdraw approval for the use of microfilm or microfiche if the requirements are not met.**

#### **19.2.5 Computer records**

You can also keep your records on a computer, for example, on magnetic tape, disc etc, provided they can be readily converted into a satisfactory legible form and made available to us on request.

If you do keep your records on a computer, we can have access to it and can check its operation and the information stored. We can ask for help from you or anyone else having charge of, or who is otherwise concerned with the operation of, the computer or its software.

If you employ a computer bureau, you are responsible for arranging for the bureau to make your records available to us when we wish to see them. Normally this will be at your principal place of business.

If, after you have been registered, you decide to use a computer or the services of a computer bureau for VAT accounting, you should notify the VAT Business Centre for your area. Where you intend to use your own computer, you should notify the VAT Business Centre for your area at the systems design stage or earlier.

We have power to refuse or withdraw approval for the use of computer media in any individual case if our requirements cannot be met.

## **19.2.6 Audit**

Where your business is subject to an independent audit, the audit will normally cover the VAT account and other records relating to VAT. However, this does not mean that auditors must make a specific reference to the VAT records in their report.

## **19.3 Cash accounting scheme**

If the annual value of your taxable supplies (excluding VAT) is not more than £600,000, you may find it to your advantage to use the cash accounting scheme.

The scheme allows you to account for VAT on the basis of payments received and made, rather than tax invoices issued and received. It is particularly beneficial if you give your customers lengthy periods of credit or if you have a high level of bad debts.

You will find full details of the scheme in Notice 731 Cash accounting. If you are using the scheme, you should read this section together with the rules set out in Notice 731.

### **19.3A Flat rate scheme**

#### **19.3A.1 What is the flat rate scheme?**

The Flat Rate Scheme (FRS) offers small businesses an alternative to the normal transaction based method of VAT accounting. The main benefit is the time saved keeping VAT records and calculating the VAT payable to Revenue & Customs.

When authorised to use the FRS you do not have to identify and record the VAT on your sales and purchases to calculate the VAT you owe to us. You record the VAT inclusive total of all your business supplies – including exempt supplies – and apply the flat rate percentage to it in each period. The result is the VAT you owe to us. Input tax is not normally claimed by businesses on the scheme, as an allowance for it is built into the flat rates.

#### **19.3A.2 Who can join the scheme?**

The scheme is open to small businesses whose VAT exclusive annual taxable turnover does not exceed £150,000. Once on the scheme businesses can continue to use it until their total income exceeds £230,000.

### 19.3A.3 How is the flat rate calculated?

We calculate the flat rate percentage from the net tax paid by businesses within the different sectors and so the flat rates vary.. You should choose the sector that most closely describes your main business activity.

### 19.3A.4 Advantages and disadvantages

#### Advantages:

- no need to separate out gross, VAT and net in your accounts;
- if you are in your first year of VAT registration you can reduce your flat rate by 1 percent, until the day before the first anniversary of you becoming VAT registered;
- you always know how much of your takings will need to be paid in VAT;
- less chance of mistakes, so fewer worries;
- less work doing the books so you can get on with running your business; and
- can be used in conjunction with the annual accounting scheme and has its own version of cash accounting and retail schemes.

#### Disadvantages:

- you cannot claim input tax, so you could lose out if you regularly receive a VAT repayment under normal VAT accounting;
- the lesser detail of VAT records kept while using the scheme may make it more difficult to monitor whether the scheme is still a help to the business; and
- because the flat rates are averages, you may pay more under the scheme than you would under normal VAT accounting

You can find further details about the flat rate scheme including the table of flat rates and an application form in Notice 733.

## 19.4 Keeping copies of VAT invoices

Unless you make retail supplies and issue less detailed VAT invoices (see paragraph 16.6.1) you **must** keep a copy of all VAT invoices that you issue.

If you are a cash and carry wholesaler (see paragraph 17.2) you **must** keep a copy of all till rolls and product code lists.

## 19.5 Recording supplies you make and working out your output tax

### 19.5.1 General

**Note:** This sub-paragraph does not apply to supplies that are dealt with under a retail scheme.

You must keep a record of all the supplies that you make in the course of your business. This includes any zero-rated or exempt supplies.

This record must contain all the information that must be shown on VAT invoices (see paragraph 16.3). If you issue invoices which give all the necessary details then, as long as you keep copies, you will only need to prepare a summary of your invoices.

This should be in the same order as your copy invoices and should enable you to produce separate totals for each tax period of the:

- (a) amount of VAT chargeable on your supplies. If you have to make an adjustment for credits you have allowed your customers (see paragraph 18.2), you should deduct the VAT on these credits from the amount of **VAT PAYABLE** in your VAT account (see paragraph 19.12);
- (b) VAT-exclusive value of your standard-rated, reduced-rated and zero-rated supplies;
- (c) value of any exempt supplies you have made; and
- (d) amount of VAT due on any:
  - goods you import by post - other than by Datapost - with a value of £2000 or less (see also paragraph 19.8.1 (b)); and
  - services in Section 31 which you receive from abroad.

You should carry this amount forward to the VAT PAYABLE side of your VAT account (see paragraph 19.12).

Under (b) and (c) you should not make any deduction for cash discounts but you should deduct any credits you have allowed in the tax period.

You must also keep a record of:

- credits allowed to your customers for all supplies that you make (see paragraph 19.6);

- goods you send out on sale or return, approval or similar terms, showing their respective tax points (see paragraph 14.4); and
- special transactions you are involved in as described in 19.5.2 and 19.5.3 below.

## 19.5.2 Goods given away or put to private or other non-business use

If you give away, or put to private or other non-business use, goods which you have acquired or produced in the course of your business, VAT is due on cost and you need record only the:

- date that the goods were given away, taken, or set aside for non-business use;
- description and quantity;
- VAT-exclusive cost; and
- rate and amount of VAT chargeable.

## 19.5.3 Self-supplies

If you ...	And/or...	Then you should ...
are a motor manufacturer, vehicle converter or dealer	<b>and</b> use motor cars you have produced or acquired in the course of your business (see paragraph 9.2)	record for each car the: - tax point; - value on which VAT is chargeable; and - rate and amount of VAT chargeable (see Notice 700/64 Motoring expenses).
are partly exempt	<b>and</b> self-supply certain printed matter	follow the rules in Notice 706/1 Self-supply of stationery.
use your own labour to construct a building or civil engineering work	<b>or</b> to increase the floor area of an existing building by 10% or more	follow the rules in Notice 708 Buildings and construction.

## 19.6 Record of credits allowed to customers

**Note: If you use a retail scheme, this paragraph applies only where the credit involves a VAT invoice.**

You must keep a record of all credits allowed to your customers for supplies that you make. This includes zero-rated and exempt supplies.

If...	Then your record must ...
a credit relates to a VAT invoice	either show:  - the details listed in paragraph 18.2; or  - clearly where those details are (for example, by cross-reference to filed copies of credit notes).
you allow credit for a zero-rated or exempt supply	show the date and amount of the credit; and whether it was for an export, a zero-rated supply in the UK or an exempt supply. If filed copies of credit notes provide a complete and easily accessible record then you need not keep a separate record for VAT purposes.

See also paragraph 18.2.4 for information on how to account for credit or debit notes you issue or receive.

## 19.7 Evidence of input tax

### 19.7.1 General

You must keep all invoices for standard-rated, reduced-rated and zero-rated supplies that you receive for your business. They must be kept in such a way that, given the invoice date and the supplier's name, they can be easily produced to us.

You cannot use an invoice which is marked "pro-forma" or "THIS IS NOT A TAX INVOICE" as evidence for reclaiming input tax (see paragraph 17.3).

Only a registered person can issue a VAT invoice. There are financial penalties for the unauthorised issue of VAT invoices. If you receive an invoice from an unregistered person and knowingly use it to reclaim VAT, you are committing an offence.

You should have no problem finding out from your suppliers whether they are registered. If you are in any doubt or you are unsure about the validity of a supplier's VAT invoice, you should telephone our National Advice Service.



In your own interest, you should obtain and retain VAT invoices. Without them, you may not be able to reclaim VAT you have been charged.

### **19.7.2 Purchases from cash and carry wholesalers**

If you buy goods from a cash and carry wholesaler you will need VAT invoices to support your claims for input tax.

If the cash and carry wholesaler provides VAT invoices in the form of till rolls and the goods are represented only by product code numbers (see paragraph 17.2), you must get an up to date copy of the wholesaler's product code list and keep it with the till roll invoices, so that both are readily available for inspection when required.

### **19.7.3 Imported goods and goods removed from warehouse**

You or your agent should make sure that official evidence is obtained, where required, of VAT chargeable on imported goods and goods removed from warehouse. See Notice 702 Imports.

This evidence serves the same purpose as a VAT invoice from a registered UK supplier. Without it you may not be able to reclaim tax you have been charged.

The evidence should be annexed or cross-referenced to the relevant invoice from your supplier and **both** should be retained. For goods acquired from a VAT registered person in another EC member state, you should hold the relevant invoice from the person supplying the goods.

### **19.7.4 Services received from abroad**

If you receive from abroad a supply of any services listed in Section 31, you should hold the relevant invoice from the person supplying the services.

### **19.7.5 Other circumstances**

If you are treating as input tax the VAT on goods or services supplied to you:

(a) the invoice can be made out to an employee for subsistence expenses mentioned in paragraph 12.1 and for petrol (see Notice 700/64 Motoring expenses); and

(b) you do not need a VAT invoice for some types of supply if your total expenditure for each taxable supply was £25 or less (including VAT). You must be sure that the supplier was registered for VAT. If in doubt, check with our National Advice Service. This applies to:

- telephone calls from public or private telephones;
- purchases through coin-operated machines;

- car-park charges (on-street parking meters are not subject to VAT); and
- a single or return toll charge paid at the tollbooth. However, you need to obtain a VAT invoice, irrespective of the price of each individual toll if:
  - i) You purchase a book of toll tickets; or
  - ii) You use a tolled road, bridge or crossing under an arrangement where you pay in advance for your journeys, or you are invoiced in arrears for your journeys, or a combination of the two (for example, if you use an electronic tag or if you are an account customer)

**This excludes tolls charged by the:**

Cleddau Bridge  
Clifton Suspension Bridge  
Dartford Bridge  
Erskine Bridge  
Forth Road Bridge  
Humber Bridge  
Itchen Bridge  
Mersey Tunnel  
Tamar Bridge  
Tay Bridge  
Tyne Tunnel

## 19.8 Recording supplies you receive and working out your input tax

### 19.8.1 General

You must keep a record of all **taxable** supplies that you receive for your business. This includes any zero-rated supplies you have received.

You must keep this record in such a way that the details of each transaction and the amount of VAT are entered in full or can be easily found by referring to the:

- supplier's invoice (see paragraphs 19.7.1 and 19.7.2);
- evidence of VAT on goods imported or removed from warehouse (see 19.7.3); and
- evidence of services received from abroad (see 19.7.4).

If...	And...	Then...
you have received invoices etc which give all	they are kept in such a way that they can be	your record need be no more than a summary of

the necessary details	easily produced if required	these documents in the same order as you keep them.
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The summary must enable you to produce separate totals for each tax period of the amount of VAT:

(a) you have been charged on goods and services you have received - including VAT paid or deferred at import or on removal from warehouse. If you have to make an adjustment for credits received from suppliers in the tax period (see paragraph 18.2), you should deduct VAT on these credits;

(b) due on:

- goods imported by post - other than by Datapost - with a value of £2,000 or less (see also paragraph 19.5.1 (d)); or
- any services listed in Section 31 which you receive from abroad. This tax can be reclaimed as input tax subject to the normal rules. You should carry forward the total amount of deductible input tax ((a) plus (b)) less any non-deductible items - see 19.8.2 below) to the **VAT DEDUCTIBLE** side of your VAT account (see 19.12).

(c) The VAT-exclusive value of all supplies you have received. This includes goods you have imported or removed from warehouse and any of the services listed in Section 31 which you have received from abroad. You should not make any deduction for cash discounts but you should deduct all credits you received from suppliers in the tax period.

For example, an add-list would be acceptable as a summary if it shows tax and values separately itemised in the order in which you keep the VAT invoices. Alternatively, you may find the method described in sub-paragraph 19.8.3 more suitable.

**However you keep your records they must show the above totals.**

You must also keep a record of:

- credits received from suppliers for all taxable supplies you receive (see paragraph 19.9); and
- supplies you receive for your business on which VAT is not deductible (see paragraph 19.8.2 below).

If you are partly exempt (see paragraph 13.1) you should look at Notice 706 Partial exemption. If you acquire or create a capital item for use in your business (see paragraph 13.2), you should also look at Notice 706/2 Capital goods scheme. This will tell you what records you need to keep in case a capital goods scheme adjustment becomes necessary.

## 19.8.2 Non-deductible items

As explained in paragraph 10.3, you cannot reclaim the tax you have been charged on certain supplies that you receive for your business. You must keep a record of any such supplies that you receive. You must not include VAT that you are charged on these items in the total carried to your VAT account.

## 19.8.3 Cashbook accounting

If it is your normal accounting practice to claim input tax according to the time when you pay your suppliers, you may find it convenient to adapt your cashbook payments record to serve also as a record of the taxable supplies you receive - for example, by including an extra "tax" column.

**If you change to this method from another method of accounting, you must exclude any VAT which you have already claimed on a previous return.**

If you use a retail scheme, your cashbook figures can also be used to work out the value of the goods you receive for resale **provided** you:

- subtract amounts you owe suppliers at the beginning of a tax period; and
- add on amounts you owe suppliers at the end of the tax period.

## 19.9 Record of credits received from suppliers

You must keep a record of all credits you receive from your suppliers for any **taxable** supplies that you receive. This includes standard-rated, reduced-rated and zero-rated supplies.

If a credit relates to...	Then...
a VAT invoice	your record must either: - show the details listed in paragraph 18.2; or - show clearly where these details are (for example, by cross-reference to filed credit notes).
a zero-rated supply	your record need only show the date and amount of credit. If filed credit notes provide a complete and easily accessible record, you need not keep a separate record for VAT purposes.
deductible input tax and you have to make a tax adjustment (see paragraph 18.2)	you must adjust your records of supplies you receive and your input tax (see paragraph 19.8.1(a)). Whatever method you use to do this, the nature of the adjustment and the reason for it must be clear from the accounts or supporting

	documents.
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If the VAT credits you receive from your suppliers exceed the VAT you were charged on your purchases in any period, you will have a minus figure to enter in the input tax box (Box 4) of your VAT return. You must make it clear that it is a minus figure by:

- writing it in **brackets** if you use a paper return; or
- inserting a **minus sign** '-' before the figure if you use an electronic return. (See also paragraph 20.4.2)

### Debit notes

If you normally issue debit notes to suppliers from whom credit is due and adjust your commercial records at that stage, you can adjust your input tax records as well.

The debit notes must show similar details to those required for credit notes. If you later receive credit notes from your suppliers, they should be compared with the debit notes and any errors corrected. If you do this, you must ensure that adjustments are made once only, and that the debit and credit notes are not both used as accounting documents.

If you can reclaim all the tax on the supply as input tax and issue a debit note, you do not have to adjust the original VAT charged to you, as long as the supplier agrees that you need not do so. However, if either you or the supplier wish to adjust the original VAT charge, both of you must do so.

## 19.10 How do I adjust errors on VAT invoices?

If the amount of VAT on a VAT invoice you have issued is...	Then you must account for the...
<b>higher</b> than the amount properly due	higher amount in your records, unless you correct the error with your customer by issuing a credit note.
<b>lower</b> than the amount properly due	correct amount of VAT due whether or not you correct the error with your customer (for example, by issuing a supplementary invoice for the amount undercharged).

If the amount of VAT shown on a VAT invoice is too low

And...	Then...
you are unwilling or unable to recover the whole of the balance due from your	you will have to make a tax adjustment.  The amount of the tax adjustment can be

customer	calculated from the total tax-inclusive amount actually charged.
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If you correct an error in the amount of VAT chargeable with your customer (for example, by issuing a credit note or supplementary invoice to the customer), the correction should be allowed to work through your accounting system. It should then be reflected in an adjusted total of output tax due from you, at the end of the tax period in which the error was corrected.

If you issue a credit note or supplementary invoice to correct an error in a VAT invoice, it should bear a reference to the number and date of that VAT invoice and show clearly both the correct and incorrect amounts of VAT.

## 19.11 How do I correct errors I find on previous VAT returns?

Generally, you can only correct errors in accounting periods ending in the last 3 years. There are two ways of correcting errors you find on previous VAT returns. You can:

- adjust your VAT account and include the net value of the errors in your current VAT return - but remember that you can only use this method if the net value of the errors you have discovered is £2,000 or less; or
- inform the VAT Business Centre for your area in writing of the errors, but do not make an adjustment on a later VAT return.

We will then advise you of any tax due from you or to you. You can either use Form VAT 652 Voluntary disclosure of errors on VAT returns or simply write to us.

We will not charge misdeclaration penalty if you disclose errors before we begin an enquiry. However, we may charge interest in certain circumstances. You will find more about misdeclaration penalty and interest in Section 27.

Before you decide which method of correcting errors to use, you should read Notice 700/45 How to correct VAT errors and make adjustments or claims.

## 19.12 VAT account

### 19.12.1 What is a VAT account?

For each tax period you must keep a summary of the totals of your output tax and input tax. This is called your **VAT account**.

You should keep it in a special book or ledger opening. You will find an example of a simple VAT account at paragraph 19.14, but any form of account containing the same information will be acceptable to us. If you are in doubt, ask our National Advice Service for advice.

## 19.12.2 Making up your VAT account

You make up your VAT account by adding up the VAT in your records at convenient intervals - for example, once a month - and putting the totals in your VAT account with separate headings for VAT deductible and VAT payable.

Under **VAT DEDUCTIBLE**, you should itemise separately:

Item	Taken from records referred to in paragraph...
Deductible VAT you have been charged on goods and services you have received.	19.8.1(a)
Deductible VAT due on imported goods and on goods removed from warehouse, whether paid or deferred.	19.8.1(a)
VAT due but not paid on goods imported by post - other than by Datapost - with a value not exceeding £2000 and on services listed in Section 31 received from abroad.	19.8.1(b)
Overdeclarations of VAT from previous periods, except those notified in writing by or to HM Revenue & Customs.	19.11 and 19.12.3
Any relief allowed from VAT on bad debts.	18.5

You should sub-total these entries, then subtract from that sub-total the amount of VAT you have been allowed on credits from your suppliers during the period. The result will be the total VAT deductible for the period.

Under **VAT PAYABLE**, you should itemise separately:

Item	Taken from records referred to in paragraph...
Output tax on goods or services supplied by you.	19.5.1(a)
VAT due but not paid on goods imported by post – other than by Datapost – with a value not exceeding £2000 and on services listed in Section 31 received from abroad.	19.5.1(d)
VAT due on self supply.	19.5.3
Underdeclarations of VAT from previous periods, except those notified in writing by or to HM Revenue & Customs.	19.11

You should sub-total these entries, then subtract from that sub-total the amount of VAT you have allowed on credits to your customers during the period. The result will be the total VAT payable for the period.

### Calculations

Add up separately the **VAT DEDUCTIBLE** and the **VAT PAYABLE**, take the smaller amount from the larger and record the difference.

If your calculations result in negative figures, you should show this in the appropriate box on your VAT return. You must make it clear by:

- writing the figure **in brackets** if you use a paper return; or
- inserting a **minus sign** '-' before the figure if you use an electronic return. (See also paragraph 20.4.2.)

If the VAT...	Then the difference is the amount that you...
<b>payable</b> is more than the VAT deductible	must pay to HM Revenue & Customs.
<b>deductible</b> is more than the VAT payable	should claim from HM Revenue & Customs.

### 19.12.3 Tax adjustments

Tax adjustments for previous periods that **we have notified to you in writing** must not be shown in your VAT returns.

These adjustments should not appear in your VAT account unless it forms an integral part of your commercial accounting system. If we notify a tax adjustment to you, we will, at the same time, provide you with the necessary accounting information.

## 19.13 Claims for repayment of overpaid VAT

Where an overpayment has occurred, you can correct the situation using the voluntary disclosure procedure at paragraph 19.11 or by submitting a separate VAT refund claim.

You must make such a claim in writing, stating the amount paid and how it was calculated. All such claims must be supported by documentary evidence.

We will not make any repayment:

- if 3 years have elapsed since the overpayment was paid; or
- where to do so would result in your unjust enrichment - for example, where you passed the tax on to your customers but are unwilling or unable to pass on to them the benefit of the repayment.



You can ask our National Advice Service if you are not sure if you are entitled to claim overpaid VAT. If you are not happy with our decision you can appeal to the VAT and Duties Tribunal (see paragraph 28.4).

## 19.14 Example of a VAT account

Period from 1 January 2003 to 31 March 2003

<b>VAT deductible - Input tax</b>		<b>VAT payable - Output tax</b>	
VAT you have been charged on your purchases	£	VAT you have been charged on your sales	£
January	2215.23	January	2780.23
February	1626.47	February	2305.81
March	<u>2792.01</u> 6633.71	March	<u>3302.45</u> 8388.49
VAT allowable on acquisitions	96.85	VAT due on acquisitions	96.85
Net overclaim of input tax from previous returns	-125.50	Net understatement of output tax on previous returns	719.26
Bad debt relief	<u>96.48</u>	Annual adjustment: Retail Scheme – Apportionment Scheme 1	<u>91.69</u>
<b>Sub-total</b>	6701.54	<b>Sub-total</b>	9296.29
Less:		Less:	
VAT on credits received from suppliers	<u>-27.50</u>	VAT on credits allowed to customers	<u>-23.00</u>
<b>Total tax deductible</b>	6674.04	<b>Total tax payable</b>	9273.29
		<b>Less total tax deductible</b>	<u>6674.04</u>

		<b>Payable to HM Revenue &amp; Customs</b>	2599.25
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REMEMBER – you cannot correct errors on previous returns giving a net under or over declaration of more than £2,000 by adjusting your VAT account.

## 20. VAT returns and payment of tax: introduction and completion of returns

### 20.1 Introduction to VAT returns

You must complete a **VAT return** for each tax period and send it back to HM Revenue & Customs with any VAT due for the period by the due date shown on the return.

**This guidance on returns and payments is in two sections.**

This section explains how to fill in your return, including guidance for both paper and electronic versions.

Section 21 covers the submission of returns and payment of VAT. It includes information on:

- default surcharge and the penalties for failing to send in your return and all the VAT due on time; and
- the circumstances in which we will pay a supplement for delaying a repayment that is due to you.

You will also find it helpful to read Notice 700/12 Filling in your VAT return.

### 20.2 The VAT Central Unit

The VAT Central Unit (VCU) is responsible for:

- sending out paper VAT returns at regular intervals to those registered traders who use them;
- processing the completed returns and payments received; and
- making repayments when they are due.

You should always take up enquiries on any aspects of VAT with our National Advice Service (see paragraph 1.5) – not with the VCU.

Please quote your VAT registration number at all times when you contact us.

## 20.3 Receipt and submission of VAT returns

### 20.3.1 Paper VAT Returns

If you use paper VAT returns, the VCU will send you the VAT return, Form VAT 100 (or the Welsh language version VAT 100W), at regular intervals. You must complete each return and send it back to the VCU - **not to a VAT office**. At the same time you must pay the VAT due in full.

### 20.3.2 Electronic VAT Returns

You can submit your VAT return electronically via the HM Revenue & Customs website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk). You will need a digital certificate to register for this service. If you are reading a paper version of this notice, please visit our website for more information.

If you enrol for the electronic VAT return service, you will receive a reminder before your VAT return is due. If you complete and “send” an electronic return, you must also arrange to pay any VAT due in full electronically. You must allow enough time for the electronic payment to reach us. Please see paragraph 21.3.2.

### 20.3.3 “Nil” returns

You must still complete the form, even if you have not traded at all during the whole period covered by the return.

If you ...	Then...
complete a paper return	you should write “NONE” in every box, sign the declaration and send it to the VCU by the due date.
use the electronic VAT return service	the form is pre-filled with zeros.  You should “send” the return and confirm that you wish to send a “nil” return.

**If you have not received a return or you spoil or mislay one, you can get a duplicate from our National Advice Service.**

Remember that if you are away from your place of business, you must arrange for VAT returns and payments to be sent to the VCU at the proper time.

## 20.4 How do I fill in my VAT return?

### 20.4.1 Paper VAT returns

You should see Notice 700/12 Filling in your VAT return, which will help you complete your VAT returns correctly.

When you fill in your return, you should always check your figures for arithmetical accuracy. You will find that the checklist in Filling in your VAT return will also help you check that your return is complete and correct.

You need to make it clear when you are using minus figures on the return:

If...	Then you must...
for any reason, you have a <b>minus</b> figure to enter in Box 1, Box 2 or Box 3; or  the figure to be entered in Box 4 represents an amount <b>due</b> to Customs instead of an amount to be reclaimed	write it in brackets.
<b>Remember</b>	
<b>Do</b>	fill in clearly in ink all the boxes where you are asked to give information, writing "none" where necessary.
<b>Don't</b>	write anything else on your return; or  send any correspondence with your return.

If your VAT return is incorrectly completed, the VCU may send it back to you for correction or clarification. You should deal with this immediately. If you fail to make the necessary corrections within the time limit specified by HM Revenue & Customs, you may be liable to a financial penalty.

## 20.4.2 Electronic VAT returns

The electronic VAT return form will only accept figures, a decimal point and a minus '-' sign.

If...	Then...
for any reason, you have a minus figure to enter in Box 1 or Box 2; or  the figure to be entered in Box 4 represents an amount <b>due</b> to Customs instead of an amount to be reclaimed	you must insert a minus sign '-' before that figure.

You do not have to complete every box on the electronic VAT return – it calculates boxes 3 and 5 automatically.

**Remember**, our National Advice Service will always help if you are in difficulty. If you are unsure about what to do, it is in your own interest to ask for advice at the time, to save us having to send you queries.

## 20.5 Tax periods

### 20.5.1 General

The period covered by the return is called a **tax period** (but on formal documents it may be referred to as a “prescribed accounting period”).

You should send your return and any payment due to reach the VCU by the due date shown on the return, which will be no later than one month after the end of the tax return (unless you submit annual returns - see paragraph 20.6). If there is no tax due for the period, you must still send in your return.

The standard tax period is 3 months. To spread the flow of returns evenly over the year, you will have been allocated to one of 3 groups of tax periods when you were registered.

Group	Tax periods end on the last days of...
1	June, September, December and March.
2	July, October, January and April.
3	August, November, February and May.

You can apply to have the tax periods which fit in with your financial year. If the transfer of a going concern results in a new registration, you can apply to retain the tax periods of the previous registration. This also applies if a change in the circumstances of a registered business makes a new registration necessary (see paragraph 26.2).

You should send your application to the National Registration Service (for contact details see paragraph 6.1.3) quoting your VAT registration number and the dates of your financial year.

### 20.5.2 Monthly tax periods

You can ask for monthly tax periods if you normally expect to receive repayments. Remember, if you do have monthly tax periods, you will have to make twelve returns a year instead of four. You cannot have monthly tax periods if your registration is voluntary.

If you have monthly tax periods and you change from receiving repayments to making payments, you may have to change to the standard 3 month tax periods.

### 20.5.3 Non-standard tax periods

If your accounting system is not based on calendar months, you can apply in writing to the National Registration Service to have tax periods which fit your system more closely.

If you have been given approval to use special tax periods, we will send you a new VAT registration certificate. Your VAT returns will show the dates of the approved special periods.

Whatever your tax periods, you must not alter the dates shown on the return.

## **20.6 Annual accounting scheme**

### **20.6.1 Eligibility**

This scheme allows eligible businesses to submit one VAT return a year instead of the usual four. You will have to make interim payments by electronic means based on your actual or estimated annual VAT liability.

The scheme is open to small businesses who:

- have been VAT registered for less than 1 year and don't expect the VAT exclusive turnover in the next year to be more than £150,000; or
- have been VAT registered for more than one year and don't expect the VAT exclusive turnover in the next year to be more than £600,000.

### **20.6.2 Interim payments**

If you have been registered for 12 months or more you will make 9 interim payments of 10% of your previous year's VAT liability.

If you have been registered for less than 12 months you will make 9 interim payments of 10% of your expected VAT liability.

Payments start at the end of month 4 of your annual accounting year and the ninth payment is paid at the end of month 12. You then have 2 months to send in your return and balancing payment. We then calculate payments for the next year, which will start again at the end of month 4.

### **20.6.3 Advantages of the scheme**

The advantages of the scheme are:

- an eligible business can choose an annual accounting year that best suits its business needs;
- your annual VAT return and balancing payment will be due 2 months after the end of the annual accounting period;

- you will be able to manage your cash flow with more certainty by paying a set amount each month;
- we will notify you how and when to make your payments;
- you can choose which electronic method to make your interim payments by – BACS, CHAPS, bank giro, direct debit or standing order.

## **20.6.4 Points to consider**

You will also need to consider the following:

- repayment traders will not have to make interim payments but will not get a repayment until the annual return is sent in;
- you must continue to keep your business records on a regular basis, do not try and write them all up at the end of the year.

Further details about the scheme, including the application form for joining, are in Notice 732.

# **21. VAT returns and payment of tax: submission of returns and payment**

## **21.1 Prompt submission of returns and payments**

You must send in your VAT return and any payment due, to arrive by the due date shown on the return. If you fail to do this you could be liable to a default surcharge (see paragraph 21.2.2 below).

Prompt and correctly completed returns and payments are the best way of avoiding trouble. If you foresee any difficulty, your best course is to explain the circumstances in advance to the Debt Management Unit for your area.

## **21.2 Late, incomplete or incorrect returns and payments**

### **21.2.1 Assessments**

If you fail to make a return when it is due or make an incomplete or incorrect return, we have powers to assess, to the best of our judgement, the amount of VAT you owe.

We do not make assessments more than 3 years after the end of the relevant tax period unless there are special circumstances, such as fraud. In these special cases the period of assessment is limited to 20 years. If we issue an assessment which we or a VAT and Duties Tribunal later find to be too low, the amount of the assessment can be increased.

If you repeatedly pay assessments instead of sending in VAT returns, then we will increase the amount for which you are assessed with each assessment.

We also have powers to assess for recovery of any refunds of VAT and statutory interest which were wrongly paid or credited to you.

## 21.2.2 Default surcharge

A default occurs if the VAT Central Unit do not receive a VAT return and all the VAT due for the period it covers by the due date shown on the return.

### (a) Surcharge Liability Notices

Each time you default, we will send you a Surcharge Liability Notice or a Surcharge Liability Notice Extension.

These notices will warn you that

If...	Then...
you default in respect of a prescribed accounting period ending within a specified period (the surcharge period)	you may be liable to a default surcharge.  The surcharge period begins on the date of the notice and ends 12 months from the end of the latest period in default.

If you default for the first time in any 12 month period we will send you a Surcharge Liability Notice.

This Notice will warn you that

If...	Then...
you default during the surcharge period specified on the Notice and you owe VAT for the period in default	you may be liable to a surcharge.  In addition, we will send you a Surcharge Liability Notice Extension which will extend the surcharge period.

### (b) Calculation of surcharge

The surcharge is calculated as a percentage of the VAT that is unpaid for the accounting period covered by the return.



If you do not send in your return, we will assess the amount of VAT you owe and the surcharge will be calculated as a percentage of this amount. If you send in your VAT return after an assessment has been issued, the amount of the surcharge will be adjusted to reflect the VAT shown as due on the return (whether or not you send payment for the VAT due with your return).

For the first payment default during a surcharge period you may be liable to a surcharge of 2% of the tax outstanding at the due date. The rate of surcharge will then increase progressively to 5%, 10% and 15% within the surcharge period.

There are specific procedures in cases where a surcharge assessment is **less than £400 (Before January 2002 these procedures applied to surcharges less than £200)**:

If the surcharge is calculated at...	Then we will...
2% or 5%	not issue a surcharge assessment. In these circumstances we will: <ul style="list-style-type: none"> <li>• record a default;</li> <li>• issue a Surcharge Liability Notice extending the surcharge period; and</li> <li>• increase the rate of surcharge if you default again within the surcharge period.</li> </ul>
10% or 15%	issue a surcharge assessment for either £30 or the actual amount calculated, whichever is the greater.

**(c) Other important information**

There is no liability to surcharge if you:

- send in a nil or repayment return; or
- pay the VAT due on time but send in your return late.

We will record a default and issue a Surcharge Liability Notice extending the surcharge period, but the rate of surcharge will not increase.

**Please remember:**

- Do not send post-dated cheques. These are not initially recognised as such and are immediately presented to the banking system.
- If you have an agreement with your VAT office to defer payment, you may still be liable to a surcharge.

- If you pay by credit transfer you must allow enough time for the payment to reach us by the due date. You should get in touch with your bank well in advance of the due date if you have any doubt about how long the transfer will take.

You can ask us to reconsider your liability to a surcharge. You can also appeal - subject to certain conditions - to a VAT and Duties Tribunal against any or all of the defaults which led to you becoming liable to a surcharge.

You can find further information in Notice 700/50 Default Surcharge.

### **21.2.3 Approval to use estimated figures on VAT returns**

If you know that you will be unable to make an accurate return, you should contact the VAT Business Centre for your area as soon as possible. If they consider that you have a good reason, you may, exceptionally, be allowed to estimate your input tax and/or output tax.

If you are allowed to use estimated figures and your return and VAT reach the VCU by the due date, you will not be in default. If you ask for approval to use estimated figures once the due date is passed, we will consider your request but it will not affect any default which has already been recorded.

You must establish the correct amount of VAT. Any resulting adjustment must be included on the VAT return for the next period. If we agree that this is not possible, you may include any revisions in the following period at the latest.

### **21.2.4 Failure to pay**

Notice 930 What if I don't pay? outlines the action we may take to recover outstanding debts. If you think you may not be able to pay your VAT on time, you should make urgent contact with your bank, your financial adviser and the Debt Management Unit for your area.

### **21.2.5 Distress**

We have powers to recover money owed to us if you neglect or refuse to pay it, including the power to distrain on (or, in Scotland, to poind) your assets.

## **21.3 Methods of payment**

### **21.3.1 Paper VAT returns**

You can pay by cheque, postal order or by electronic means. If you pay by either cheque or postal order, it should be crossed "A/C Payee" and made payable to "HM HM Revenue & Customs" with a line through any spaces on the "pay" line.

If you choose to pay the VAT shown as due on your return by Bankers Automated Clearing System (BACS), Bank Giro Credit Transfer or Clearing House Automated Payment System (CHAPS), you may receive up to 7 extra calendar days for the return and payment to reach us. Here are some important facts you need to know if you want to benefit from this concession:

- The 7 day extension to the due date will be applied automatically every time you pay your VAT return using BACS Direct Credit or Bank Giro Credit Transfer. You may also pay by CHAPS but please note that this may be the most expensive payment method for you. Payment cannot be made via Girobank.
- Payment must be in our bank account on or before the 7th calendar day. If the 7th day falls on a weekend, we must receive payment by the Friday. When the 7th day falls on a bank holiday, payment must be in our bank account by the last working day beforehand.
- To make sure that your payment reaches us in time, **you should check with your bank how many days they need to complete the transaction.**
- If you are in the Annual Accounting Scheme, you will not get the 7 day extension.
- If you are in the Payment on Accounts Scheme, and render quarterly returns, you will not get the 7 day extension.
- The automatic application of the concession on a return-by-return basis gives you the freedom to change your payment method without having to inform us. But if you decide not to use one of the approved electronic payment methods, you must make sure that your return and payment reach us by the due date shown on the return.
- If your return or payment is received late, you will be in default and may be surcharged.
- Your bank may charge you for using any of these payment methods. Check with them for details.
- If you have any general questions about how the concession operates, please contact our National Advice Service.

If you want to pay by Bank Giro you will need a book of paying-in slips and counterfoils. To get one, telephone 01702 366376 or 01702 366314.

If you pay by BACS or CHAPS your bank will need to quote your VAT registration number as your reference number and make payments to:

Bank of England  
Threadneedle Street  
LONDON  
EC2R 8AH

Sort Code: 10 00 00  
Account No: 52055000

### **21.3.2 Electronic VAT returns**

If you use the Electronic VAT return, you must pay by one of the electronic methods, BACS, CHAPS or Bank Giro, as detailed above. You cannot pay by cheque. To make sure your payment reaches us in time, you should check with your bank how many days they need to complete the transaction.

## **21.4 Methods of repayment**

We will make repayments of VAT by the Bankers Automated Clearing System (BACS).

To receive repayments by this quick and secure method, please ensure that you have advised the National Registration Service of your bank details in writing. This is a requirement on application for VAT registration. See paragraph 6.1.3 for contact details for the National Registration Service.

In exceptional circumstances where you do not have a bank account, we will continue to make repayment by payable order.

The same repayment method applies whether you use the paper or electronic VAT return.

**Note:** We cannot make repayments claimed by you unless all your VAT returns have been submitted. If there are any outstanding tax liabilities, we will offset them against the amount of your claim.

## **21.5 Dealing with amounts of less than £1**

If the net VAT payable calculated to the nearest penny, is less than £1, no payment need be made. Similarly, if the net VAT repayable is less than £1, there will be no repayment.

Amounts under £1 should not be carried forward to the next return.

## **21.6 Delayed repayments**

We have to pay you a supplement if we do not authorise repayment of an acceptable claim within a reasonable period - normally 30 days from the date the VAT return is received. But if we have to make enquiries about your claim or sort out errors, the 30 day period can be extended while the enquiries are made.

The 30 day period will not start until the end of the tax period even if your return is received before then. This is because you are not entitled to the repayment until the tax period is ended. The date when your claim is received will be recorded for computer processing purposes.

### **21.6.1 Qualifying for a supplement**

In order for you to qualify:

- the VCU must receive your VAT return by the due date shown on the form; and
- you must have made returns for all earlier periods - a paid assessment does not count as a return.

If you are found to have overclaimed on your VAT return by more than £250 or 5% (whichever is the greater), you will not qualify for a supplement on that return. You will be asked to repay a supplement if such errors are discovered after a supplement has been paid.

### **21.6.2 Rate of supplement and notification of amounts**

The supplement will be 5% of the net payment due to you or £50 - whichever is the greater. Any errors you have made will be corrected before the supplement is calculated.

You do not need to make a separate claim or show it on a return for a later period. We will send you a statement confirming the amount of the supplement and the date when payment was authorised. If you are paid by payable order, this date will be shown on the order.

### **21.6.3 Scope of repayment supplements**

Where applicable, repayment supplements will be paid for repayment claims made on a VAT return. They will not apply to other claims such as:

- amounts notified by HM Revenue & Customs as overdeclared, including those resulting from voluntary disclosures made in writing to your VAT office;
- refunds paid to European Community traders;
- refunds to do-it-yourself builders;
- services invoiced and claimed for after deregistration; and
- claims for interest as the result of Departmental error.

You can find further information in Notice 700/58 Treatment of VAT repayment returns and VAT repayment supplement.

## 21.7 Payments on Account scheme

The Payments on Account scheme requires large VAT payers who render returns quarterly to make payments on account of their quarterly VAT liability.

If the total annual VAT liability of your business exceeds £2 million (including import VAT and goods ex-warehouse) you will be eligible for inclusion in the Payments on Account scheme.

We will advise you:

- when you become liable for inclusion in the scheme;
- how much your payments on account will be;
- how the payments have been calculated; and
- when they are due.

You will find full details of the scheme in Notice 700/60 Payments on Account.

## 22. Supplies made by or through agents: general rules

### 22.1 Introduction to supplies involving agents

The information on this subject is in four sections, which explain how you should account for VAT if you:

- use the services of an agent; or
- act as an agent in arranging supplies of goods or services.

It reflects the revised treatment of supplies of goods made through agents from 1 June 1995, resulting from the implementation of Article 5.4(c) of the European Community Sixth VAT Directive.

Section	Subject
22	General rules
23	Arrangements for invoicing
24	EC and international supplies involving UK undisclosed agents
25	Other situations

## 22.2 General information about agents

You are an agent if you act for, or represent, someone else (your principal) in arranging supplies of goods or services. The supplies that you arrange are made by - or to - the principal you represent.

Principals cannot avoid their liability to account for VAT on their supplies or to pay VAT on their purchases by using an agent.

Persons who carry on a business on their own account sometimes use the words “agent” and “agency” to describe their trading style. For example:

- distributors, sole concessionaires and motor agents usually trade as principals on their own account; and
- employment agencies and travel agents are not usually agents in all their activities.

On the other hand, some people who normally trade as principals, such as solicitors and architects, may occasionally arrange supplies as agents for their clients.

To act as an agent, you must have agreed with your principal to act on their behalf in relation to the particular transaction concerned. This may be a written or oral agreement, or merely inferred from the way you and your principal conduct your business affairs. Whatever form this relationship takes:

- it must always be clearly established between you and your principal, and you must be able to show to HM Revenue & Customs that you are arranging the transactions for your principal, rather than trading on your own account;
- you will not be the owner of any of the goods, or use any of the services which you buy or sell for your principal; and
- you will not alter the nature or value of any of the supplies made between your principal and third parties.

If you are an agent who acts on behalf of an overseas trader, you will also need to look at Notice 702 Imports and Notice 703 Exports and removals of goods from the United Kingdom.

## 22.3 How are agents involved with VAT?

As an agent, you will usually be involved in at least two separate supplies at any one time:

- the supplies made between your principal and the third party;  
and

- the supply of your own services to your principal, for which you will charge a fee or commission. The normal VAT rules apply to your services as an agent.

It is important to distinguish between these separate supplies.

## 22.4 Liability of supplies

The liability of the supply of your own services to your principal will not always be the same as the liability of the supply between your principal and the third parties.

### 22.4.1 Selling agents

If you are a selling agent and the supply you are arranging on behalf of your principal is taxable, your supply of services to your principal in arranging that supply is standard-rated. However, if the supply you are arranging for your principal is exempt from VAT, your supply of services in arranging that supply may also be exempt.

### 22.4.2 Buying agents

If you are a buying agent and the supply you are arranging from the third party to your principal is taxable, your supply of services to your principal in arranging that supply is standard-rated. However, if the supply you are arranging by the third party to your principal is exempt, your supply to your principal in arranging that supply may also be exempt.

Further information about exempt supplies is in Section 29 of this notice. You should consult the notice relevant to the type of supply made by your principal or the third party to determine whether your own supply to your principal is within the exemption. If, having read the notice, you remain unsure of the liability of your services, you should consult our National Advice Service.

## 22.5 Agents acting in the name of their principals

As an agent, you may sometimes take a minor role in a transaction, and simply introduce your principal to potential customers or suppliers (third parties).

At other times you may be more closely involved. You might:

- receive or deliver goods;
- hold a stock of goods for your principal; or
- make or receive payment.

However, provided that the invoicing for the supply is between the principal and the customer, the only supply for VAT purposes being made by you will be the provision of your services to your principal.



## 22.6 Agents who act in their own name

You may sometimes be empowered by your principals to enter into contracts with a third party on their behalf. In such cases, particularly if your principal wishes to remain unnamed, you may receive and issue invoices in your own name for the supplies concerned.

An agent who acts in such a capacity is usually referred to as an undisclosed agent or a commissionaire.

In commercial terms, the transaction you arrange as an agent remains between your principal and the third party involved. However, you should note that these rules apply to supplies of goods and services:

### Goods

If...	Then...
you issue an invoice in your own name for a supply of <b>goods</b> which you arrange for your principal	for VAT purposes only, you must treat the transaction as though it was both a supply to you and a supply by you.

### Services

If you are an agent arranging a supply of services and...	Then...
both you and the supplier are registered for VAT; and  the supplies are taxable	you <b>may</b> treat yourself as both receiving and supplying those services.  If you do this, you will be regarded as acting in your own name and treated for VAT purposes in the same way as an agent arranging supplies of goods, as above.

In **both** circumstances above, you are liable to account for VAT on the supply of the goods or the services, as well as on your own supply of services to your principal. But you may also reclaim as input tax any VAT charged on the supply made to you. As you do not alter the nature or value of your principal's supply, the amount of input tax reclaimed will normally be equal to the output tax you account for on that supply.

### Further Details

<b>You must not:</b>	reclaim input tax under this procedure before you have accounted for the relevant output tax.
<b>You must:</b>	include the value of the supply in your VAT account and on your VAT return as a supply both made, and received, by

	you.
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It is important to remember that the VAT treatment of the supply you arrange does not affect your liability to account for VAT on your own supply of services to your principal.

However,

<b>If you are ...</b>	<b>Then you...</b>
an undisclosed agent involved in <b>international supplies</b> of goods or services	should read Section 24 for information on the revised VAT treatment operated from 1 July 2000.
a UK undisclosed agent involved with <b>domestic supplies</b>	should also read Section 24 for information on the option which allows you to use the same revised VAT treatment, which is intended to ease VAT accounting.
arranging supplies of second-hand goods, antiques, works of art or collectors' items	may be able to choose to use the Margin Scheme and include the value of your services in calculating the VAT due.  Further details are in Notice 718 Margin Schemes for second-hand goods, antiques, works of art and collectors' items.
partly exempt (see paragraph 13.1), and are subject to these arrangements	should consult the VAT Business Centre for your area, since this may have an effect on your partial exemption method.

These arrangements cannot be used for supplies which are for the benefit of travellers, for example, supplies of accommodation or passenger transport. You can find further details in Notice 709/5 Tour operators' margin scheme.

## 22.7 Registration

If you are an agent, and the value of your taxable supplies is above a certain limit you must register for VAT. The value of your taxable supplies includes both the value of your taxable supplies to your principal and the value of any taxable supplies which you make in your own name.

Notice 700/1 Should I be registered for VAT? gives further information. Notice 700/1 also explains how you can register voluntarily if the value of your taxable supplies is below the relevant limit. The relevant limits are set out in the supplement to 700/1.

## 23. Supplies made by or through agents: invoicing arrangements

### 23.1 Invoicing for supplies made through a selling agent not using a margin scheme

#### 23.1.1 Agents acting in the name of their principals

(see paragraph 22.5).

If all the following apply...	Then all the following also apply...
<p>your principal is registered; their supply to the third party is taxable; and you are registered</p>	<p>your principal must issue the VAT invoice made out to the customer and send it either direct to the customer, or through you to pass on to the customer; and  you need account for VAT only on your supply of agent's services to your principal.</p>
<p>your principal is <b>not</b> registered but <b>you are</b> registered</p>	<p>no VAT is due on the supply arranged by you but you must:</p> <ul style="list-style-type: none"> <li>• account for VAT on your supply of agent's services to your principal, and</li> <li>• possess evidence that you are arranging the supply on behalf of your principal. The supply should be readily distinguishable in your records from supplies on which VAT is charged.</li> </ul> <p>This evidence may take the form of a standing agreement between you and your principal (the supplier), or it may be a signed declaration from your principal. This declaration should give the principal's name and address, and state that the principal is not a VAT registered person making a supply of the specified goods/services in the course of business.</p>

#### 23.1.2 Agents registered for VAT and acting in their own name

(as defined in paragraph 22.6).

You may, if you wish, adopt the accounting arrangements set out in Section 24, but if you choose not to do so you should account for VAT in accordance with this paragraph.

If...	Then...
your principal is registered for VAT; and their supply to the customer is taxable	<p>your principal must issue a VAT invoice to you for the actual price paid by the buyer, and you may then reclaim any VAT as input tax.</p> <p>As an alternative, you can use the self-billing procedure described in paragraph 17.4.1, if prior approval has been obtained from the VAT Business Centre for your area.</p>
the customer is registered for VAT	<p>you must account for output tax on the onward supply to the customer; and</p> <p>you must issue a VAT invoice to the customer; and</p> <p>you must also account for VAT on the value of your own supply of services in arranging the supply on behalf of your principal.</p>

**This example illustrates the accounting procedure:**

A VAT registered person supplies standard-rated goods or services for £100 plus VAT to another VAT registered person. The supplier uses an agent who acts in their own name. The agent takes a commission of 10%.

<b>The seller must issue a VAT invoice to the agent showing:</b>	
Goods/services	£100.00
20% VAT	<u>£20.00</u>
Total	<u>£120.00</u>

The seller accounts to HM Revenue & Customs for £20.00 output tax. The agent may reclaim £20.00 as input tax.

<b>The agent must issue a VAT invoice to the buyer showing:</b>
---

Goods/services	£100.00
20% VAT	<u>£20.00</u>
Total	<u>£120.00</u>

The agent accounts to HM Revenue & Customs for £20.00 output tax. The buyer may reclaim £20.00 as input tax subject to any partial exemption considerations (see paragraph 13.1).

The agent must also issue a VAT invoice when making a charge to the principal (the seller) for agent's services showing:	
10% commission	£10.00
20% VAT	<u>£2.00</u>
Total	<u>£12.00</u>

The agent accounts to HM Revenue & Customs for £2.00 output tax. The seller can reclaim input tax of £2.00.

In practice, the amount of money that passes between the agent and the principal in this example might only be £108.00, since the agent may deduct commission from the amount collected from the buyer, paying the balance to the principal. However, the full VAT invoicing procedure must still be followed.

## 23.2 Invoicing for supplies obtained through a buying agent not using a margin scheme

### 23.2.1 Agents acting in the name of their principal

(see paragraph 22.5).

If all the following apply...	Then all the following apply...
the supplier is registered for VAT; the supply you are arranging is taxable; and you are VAT registered	the supplier should issue the VAT invoice made out to your principal and send it either direct, or through you, for you to pass on to your principal and you need account for VAT only on your supply of agent's services to your principal.
the supplier is not VAT registered; and <b>you</b> are VAT registered	no VAT is due on the supply you have arranged, but

	you must account for VAT on the value of your own services to your principal.
--	---

### 23.2.2 Agents registered for VAT and acting in their own name

(as defined in paragraph 22.6).

**You may, if you wish, adopt the accounting arrangements set out in Section 24 but if you choose not to do so you should account for VAT in accordance with this paragraph.**

The supply is treated as made both to you and by you as agent.

If...	Then...
The supplier is VAT registered	the supplier will issue a VAT invoice to you, and you may then reclaim the VAT as input tax subject to any partial exemption considerations (see paragraph 13.1), and  you must account for output tax on your onward supply to the buyer (your principal) and on the value of your own services in arranging the supply to your principal.
your principal is VAT registered	you will need to issue a VAT invoice for both supplies.

Your principal should always be able to know the price you paid in obtaining the supply.

#### **This example illustrates the accounting procedure:**

A VAT registered person uses an agent to buy standard-rated goods or services from another VAT registered person. The amount charged by the supplier is £100 plus VAT. The agent is registered for VAT and charges £15.00 for services.

The supplier issues a VAT invoice to the agent showing:	
Goods or services	£100.00
20% VAT	<u>£20.00</u>
Total	<u>£120.00</u>

The supplier accounts to HM Revenue & Customs for £20.00 output tax. The agent may reclaim £20.00 as input tax.

The agent must issue VAT invoices to the principal both for the supply arranged and for the supply of agent's services. Either separate VAT invoices can be issued, or both transactions may be shown on the same VAT invoice. If the same VAT invoice is used, then the amount charged for the goods/services must be shown separately from the amount charged as commission:

Example	
Goods or services	£100.00
20% VAT	£20.00
Fee	£ 15.00
20% VAT on fee	<u>£3.00</u>
Total	<u>£138.00</u>

The agent should account to HM Revenue & Customs for £23.00 output tax.

## 24. EC and international supplies involving UK undisclosed agents

### 24.1 Note for UK undisclosed agents involved in domestic supplies

If you are a UK undisclosed agent involved in domestic supplies, the difficulties outlined in this section may not apply and there is no intention to disturb the current commercial arrangements where you may be invoicing your principals for a separate supply of your own services, as described in paragraph 22.6.

However, if you want to, you may adopt the revised VAT treatment set out in this section for your domestic transactions.

### 24.2 VAT treatment of supplies involving UK undisclosed agents

#### 24.2.1 Introduction

This section deals with the revised VAT treatment of international supplies of goods or services made through UK undisclosed agents, operated from 1 July 2000. It also gives information on the option which allows UK undisclosed agents involved in domestic supplies also to use the revised VAT treatment.

The revised treatment follows representations from the trade and their advisers, and has been agreed after consultation with members of the VAT Consultative Committee and the VAT Practitioners Group. The changes put the VAT treatment of UK undisclosed agents on the same footing as that for commissionaires elsewhere in the Community.

The revised policy is intended to ease problems faced by UK undisclosed agents, which are caused by differences between UK common law on agency and Roman civil law concepts, briefly summarised below. The problems arise where undisclosed agents are involved in non-EC or intra-Community supplies.

**Undisclosed agents** take part in a supply of goods or services while acting in their own name **but** they are supplying the goods or services on behalf of another. This means the third party to the transaction is unaware of the involvement of an agent.

## 24.2.2 Problems arising with undisclosed agents

Before the introduction of the revised VAT treatment, there was potential distortion of competition between UK undisclosed agents and commissionaires, who are seen as principals under Roman law in other Member States.

Commissionaires take part in the supply, with their commission included as a mark-up in the price. However, in UK law, there is an underlying supply between the principal and the customer and a separate supply of agents' services to their principals. This meant that, unlike commissionaires, UK agents had to charge VAT to their non-EC principals. If the non-EC principal was unwilling to register in the UK to recover this, the agent may have had to bear the VAT cost.

There was also potential for confusion about the place of supply of services. For example:

- where undisclosed agents were involved in a supply taking place where the supplier is based, there may have been uncertainty about the place of the onward supply by the agents; and
- in the case of services subject to reverse charge, there may have been uncertainty about who should account for the reverse charge.

Different values of supplies through UK undisclosed agents and commissionaires resulted in difficulties and mismatches on EC Sales Lists and declarations made for the purposes of international trade statistics (Intrastat).

## 24.2.3 The revised VAT treatment

The revised treatment applies only to supplies made on or after 1 July 2000. From this date, agents involved in non-EC or intra-Community supplies, who bring themselves within the terms of section 47 VAT Act 1994 by acting in their own name, are treated as principals for VAT purposes and seen as taking a full part in the underlying supply of any goods or services.



Consequently, as the agent is taking a full part in the supply, they are no longer recognised as making a separate supply of their own services to their principal and the commission they retain is seen as subsumed in the value of the onward underlying supply.

This revised treatment is for VAT purposes only. It has no impact on the legal status of agents or the way they are treated for the purposes of other taxes or legislation.

## 24.2.4 Impact of the revised VAT treatment

### (a) Goods imported or acquired into the UK

Note: For the purposes of the following illustration, the price paid by the final customer is £100; the commission retained by the agent is £20; and the money passed back to the principal is £80: all net of VAT.

If you are a UK undisclosed agent...	Then the VAT value at...
importing goods on behalf of a non-EC principal	importation is decided by the Customs rules as previously, and will not change.
acquiring goods from a principal in another Member State	acquisition is £80 by virtue of section 20(3) VAT Act 1994 based on the value of the invoice raised by the EC principal to you. You are responsible for Intrastat declarations and must account for acquisition tax.

As a UK undisclosed agent that is treated as a principal under the revised VAT treatment, you will be entitled to recover import/acquisition VAT, subject to the normal rules. You will then:

- make an onward supply in your own name to your customer for £100; and
- account for any output tax due.

Your commission of £20 will be seen as subsumed in the value of your onward supply of the goods, and you are no longer regarded as making a separate supply of your own services to your non-UK principal.

You may treat costs incurred in the UK, such as warehousing and handling, as supplies to you and you may recover the input tax on them, subject to the normal rules.

### (b) International services

If you are a UK undisclosed agent involved in international services and you act in your own name under section 47(3) VAT Act 1994, you are treated as a principal in the same way as elsewhere in the EC.

The services are seen as supplied to you as though you are a principal, and supplied on by you. This means that you will be treated as taking a full part in the supply chain.

As in the case of imported goods above, your commission is seen as subsumed in the value of the onward supply. You are no longer regarded as making a separate supply of your own services to your principal.

<b>If the international services are...</b>	<b>Then you, as the UK undisclosed agent...</b>
supplied in the <b>supplier's</b> place of establishment	are treated as the supplier, and the supply will take place in the UK and will be subject to UK VAT.
as listed in VAT Act 1994, Schedule 5, (see Notice 741 for further details), which are treated as supplied in the <b>customer's</b> place of establishment	will be treated as receiving the supplies and must therefore account for the reverse charge. You will then make an onward supply in the UK and account for output tax in the normal way.

From 1 July 2000, Section 47(3) applies in this way in all cases where agents act in their own name in relation to international services. It applies to services being supplied both to and from the UK.

## 25. Supplies made by or through agents: other situations

### 25.1 Disbursements for VAT purposes

#### 25.1.1 Introduction and conditions for VAT disbursements

It is the practice in some trades and professions for some or all of the costs incidental to a supply, such as travelling expenses, to be described as disbursements and shown or charged separately on the invoice issued to the client. In many cases, these items do not qualify to be treated as disbursements for VAT purposes.

<b>If...</b>	<b>Then...</b>
these costs have been incurred by suppliers in the course of making their own supply to their clients	they must be included in the value of those supplies when VAT is calculated.

However,

<b>If...</b>	<b>Then...</b>
you merely pay amounts to third parties	you may be able to treat them as

as the agent of your client and debit your client with the precise amounts paid out	disbursements for VAT purposes and exclude these amounts when you calculate any VAT due on your main supply to your client.
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You may treat a payment to a third party as a disbursement for VAT purposes if **all** the following conditions are met:

- you acted as the agent of your client when you paid the third party;
- your client actually received and used the goods or services provided by the third party (this condition usually prevents the agent's own travelling and subsistence expenses, telephone bills, postage, and other costs being treated as disbursements for VAT purposes);
- your client was responsible for paying the third party (examples include estate duty and stamp duty payable by your client on a contract to be made by the client);
- your client authorised you to make the payment on their behalf;
- your client knew that the goods or services you paid for would be provided by a third party;
- your outlay will be separately itemised when you invoice your client;
- you recover only the exact amount which you paid to the third party; and
- the goods or services, which you paid for, are clearly additional to the supplies which you make to your client on your own account.

**All these conditions must be satisfied before you can treat a payment as a disbursement for VAT purposes.**

Generally, it is only advantageous to treat a payment as a disbursement for VAT purposes where no VAT is chargeable on the supply by the third party, or where your client is not entitled to reclaim it as input tax.

If you treat a payment for a standard-rated supply as a disbursement for VAT purposes, you may not reclaim input tax on the supply because it has not been made to you. Your client may also be prevented from doing so because the client does not hold a valid VAT invoice.

## 25.1.2 Evidence for VAT disbursements

If...	Then...
you treat a payment as a disbursement for VAT purposes	<p>you must keep evidence (such as an order form or a copy invoice) to enable you to show that you were entitled to exclude the payment from the value of your own supply to your principal.</p> <p>You must also be able to show that you did not reclaim input tax on the supply by the third party.</p>

**This example illustrates the invoicing procedure:**

A registered person supplies standard-rated services to a client for a basic fee of £80. In addition, the supplier incurs £20 expenses which are passed on to the client, but which do not qualify for treatment as disbursements for VAT purposes. The supplier also pays £50 on behalf of the client in circumstances which qualify that payment to be treated as a disbursement.

The supplier must issue a VAT invoice to the client showing:	
Services	£80.00
Expenses	<u>£20.00</u>
Value for VAT	£100.00
20% VAT	£20.00
Disbursements	<u>£50.00</u>
Total	<u>£170.00</u>

## 25.1.3 Examples of supplies which cannot be treated as VAT disbursements

The following are examples of supplies which might, for accounting purposes, be charged or itemised separately, but which cannot be treated as disbursements for VAT purposes:

Example	
<b>Example 1:</b>	A solicitor pays a fee to a bank for the transfer of funds telegraphically or electronically to, or from, the solicitor's own business or client account.
<b>VAT treatment:</b>	The solicitor cannot treat the bank's fee as a disbursement for VAT purposes. The service for which the charge is made is

	<p>supplied by the bank to the solicitor rather than to the client. Although the bank's supply may be exempt from VAT, the fee when re-charged, even though at cost, is part of the value of the solicitor's own supply of legal services to the client and VAT is due on the full amount.</p>
<b>Example 2:</b>	<p>A solicitor pays a fee for a <b>personal</b> search of official records such as a Land Registry, in order to extract information needed to advise a client.</p>
<b>VAT treatment:</b>	<p>The solicitor cannot treat the search fee as a disbursement for VAT purposes. The fee is charged for the supply of access to the official record and it is the solicitor, rather than the client, who receives that supply. The solicitor uses the information in order to give advice to the client and the recovery of this outlay represents part of the overall value of the solicitor's supply. The solicitor must account for output tax on the full value of the supply.</p> <p><b>Note:</b> Where a solicitor pays a fee for a <b>postal search</b>, this may be treated as a disbursement since the solicitor merely obtains a document on behalf of the client. The client will normally need to use the document for their own purposes, such as to obtain a loan.</p>
<b>Example 3:</b>	<p>A consultant is instructed by the client to fly to Scotland to perform some work.</p>
<b>VAT treatment:</b>	<p>The consultant cannot treat the air fare as a disbursement for VAT purposes. The supply by the airline is a supply to the consultant, not to the client. The recovery of outlay by the consultant represents part of the overall value of the consultant's supply of services to the client. The consultant must account for output tax on the full value of this supply.</p>
<b>Example 4:</b>	<p>A private function is held at a restaurant. The customer pays for the food, drink and other facilities provided, and also agrees to meet the costs of any overtime payments to the staff.</p>
<b>VAT treatment:</b>	<p>The restaurant cannot treat the overtime payments as disbursements for VAT purposes. The supply by the staff is made to the restaurant, not to the customer. The staff costs are part of the value of the supply by the restaurant and VAT is due on the full amount.</p>
<b>Example 5:</b>	<p>A manufacturer makes a separate charge to a customer for royalty or licence fees, which were incurred in making a supply to the customer.</p>

<b>VAT treatment:</b>	The manufacturer cannot treat the royalty or licence fees as disbursements for VAT purposes. The recovery of these fees is part of the manufacturer's costs in making the supply to the customer. The manufacturer must account for output tax on the full value of the supply, including the royalty or licence fees.
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## 25.2 Auctioneers

The arrangements in this paragraph apply if auctioneers offer goods for sale as an agent for the seller.

As an auctioneer,

<b>If...</b>	<b>Then...</b>
you issue an invoice for the goods in your own name	<p>the goods are treated as supplied to you by the vendor and <b>from</b> you to the buyer.</p> <p>This means you are liable to account for VAT on the supply of the goods <b>as well as</b> on the commission you charge the seller and - if applicable - on the fee charged to the buyer, sometimes referred to as <b>buyer's premium</b>.</p>
<b>However, if...</b>	<b>Then...</b>
you are arranging supplies of second-hand goods, works of art, antiques or collectors' items	<p>you may be able to use the special accounting scheme for auctioneers, allowing you to calculate the VAT due on a margin basis.</p> <p>You can find further details of the Auctioneers' Scheme in Notice 718 Margin Schemes for second-hand goods, antiques, works of art and collectors' items.</p>

The normal place of supply and liability rules apply to the supplies you make as an auctioneer. You can find information on zero-rating of supplies of goods for export or to VAT registered persons in other Member States in Notice 703 Exports and removals of goods from the United Kingdom and Notice 725 The Single Market.

The place of supply of your auctioneer services depends on their nature, to whom they are supplied, and where that person belongs.

### 25.2.1 Services to sellers

<b>If...</b>	<b>Then...</b>
you act only as a selling agent	your services are normally standard-rated if you belong in the United

	Kingdom.
<b>However, if...</b>	<b>Then...</b>
your service is of an “expert” type, such as consulting or advising on matters such as provenance, value, how to sell etc	your supply may be outside the scope of UK VAT, depending on where the seller of the goods belongs.

## 25.2.2 Services to buyers

<b>If...</b>	<b>Then...</b>
you make a supply of services to the buyer (by charging a buyer’s premium)	your supply is normally standard-rated if you belong in the United Kingdom.
<b>However, if...</b>	<b>Then...</b>
you make a separate charge for providing or arranging services such as packing and exporting the goods to a country outside the EC	those services may be zero-rated under VAT Act 1994, Schedule 8, Group 7, item 2(a).

You will find further information about services in Notice 741 Place of supply of services.

As an auctioneer, you may also be asked to arrange sales of goods in the satisfaction of a debt (for example, under a court order). If the debtor is a registered person and the goods are part of the business assets, you must account for VAT using the procedure set out in paragraph 18.4.1.

## 25.3 Exports

If you arrange exports of goods as an agent and you are treated as making the supply to an overseas buyer under the procedures in paragraph 22.6, you may zero-rate this supply.

However, you must meet the conditions set out in Notice 703 Exports and removals of goods from the United Kingdom, which require that you obtain and hold valid proof of export as described in that notice.

## 25.4 MOT test charges

This paragraph deals with the VAT treatment of MOT test charges. In particular, it explains the conditions which must be met if the MOT test fee charged by a test centre to an unapproved garage and recharged to the latter’s customer is to be treated as a disbursement.

If you are a **test centre**

<b>Then...</b>	<b>Provided that...</b>
the fee you charge for carrying out an MOT test may be treated as outside the scope of VAT	<p>it does not exceed the statutory maximum fee.</p> <p>Any discount you give to an unapproved garage should be treated as a normal trade discount (and does not represent consideration for any supply to you by the garage).</p>

If you are an **unapproved garage**

<b>And...</b>	<b>Then...</b>
<b>provided</b> you show the exact amount charged by the test centre separately on the invoice to your customer, and meet the other conditions of paragraph 25.1.1	<p>you may treat this element as a disbursement and outside the scope of VAT.</p> <p>Any amount you charge your customer over and above the amount charged to you by the test centre, is consideration for your own service of arranging the test on behalf of your customer and is taxable at the standard rate.</p>
<b>And...</b>	<b>Then...</b>
you choose not to treat the amount charged to you by the test centre as a disbursement, or you do not satisfy all the conditions set out in paragraph 25.1.1	you must account for VAT on the full invoice amount.

## 25.5 Search agencies

The following VAT treatment applies to search agencies from 1 February 1998.

If you obtain a fiche or hard copy of data from a source such as Companies House, the item you obtain should be regarded as a piece of information rather than a tangible object. When you recharge the search fee to your customer, you may treat it as a disbursement and outside the scope of VAT, provided you pass on the information without analysis or comment, and all the conditions outlined in paragraph 25.1.1 are met.

If you are a search agency

<b>And...</b>	<b>Then you...</b>
you carry out a process on the fiche or hard copy itself, but without using it to	may treat the search fee as a disbursement and also outside the scope



inform an opinion or report	of VAT.  An example would be where you obtain a search but your customer does not have a facility to read the fiche, and you simply convert it into readable hard copy and pass it on to your customer without comment or analysis. The same would apply where you provide your customer with typewritten extracts of a fiche or document but again, without analysis or comment.
you analyse, comment on, or produce a report on a fiche or document obtained from a source such as Companies House, or otherwise use information obtained in a search to produce a report	must not treat the search fee as a disbursement.  In these cases, the search fee is a component part of your costs in providing your services to your customer, and is taxable at the standard rate.

## 25.6 Debt collectors: solicitors' charges and costs awarded by the Courts

This paragraph deals with the arrangements debt collectors enter into for the legal recovery of debts.

We have applied a revised policy from 1 April 1998, following consultation with the trade. It covers the treatment by collectors of:

- VAT charged by solicitors for their services of pursuing the debt through the Court; and
- fees paid by solicitors to the Court and recovered from the debtor.

It also covers the VAT treatment of:

- costs awarded by the Court against the debtor to cover the Court fees; and
- the solicitor's charges, where the agreement with the creditor allows the collector to retain these monies.

Nothing in the revised policy restricts the freedom of collectors to negotiate and agree with their clients about how sums collected from the debtors are to be allocated between the principal debt, Court fees and solicitors' scale charges.

## 25.6.1 Collectors who act as agents

### (a) Court fees

The amounts you pay to solicitors for Court fees may be treated as disbursements made on behalf of the creditor, which are outside the scope of VAT. Any amount you recover from debtors for such fees, and retain, may then be regarded as reimbursement of the amounts disbursed and outside the scope of VAT.

### (b) Legal fees

Where solicitors charge you VAT for their services, there are only two options open to you:

- you may choose **not** to recover the VAT as input tax, and simply treat the charges as disbursements in accordance with paragraph 25.1. In this case, where your agreement with the creditor provides that you bear the cost of solicitors' services but retain, as reimbursement of your costs, any amounts you recover from the debtor for solicitors' scale charges awarded by the Court, you may treat such amounts as outside the scope of VAT; or
- you may choose to recover the VAT as input tax, subject to the normal rules, but recharge the fees plus VAT to the creditor under the terms of section 47(3) of the VAT Act 1994. Under this option, the scale charges you retain represent payment of the fees you have recharged.

## 25.6.2 Collectors who act as principals

### (a) Accounting for tax

If...	Then...
in the particular circumstances of any case, you consider that you are acting as a principal	you may recover as input tax any VAT charged to you by the solicitor, subject to the normal rules.

However, any amounts for both Court fees and/or solicitors' scale charges which you recover from the debtor, and retain, can only represent consideration for your supply of services to the creditor.

You must account for output tax on all such amounts in the normal way. This treatment will not apply if you have received an assignment of debts – see below.

### (b) Assigned debts

An equitable or legal assignment of the debts to you, whether in whole or in part, is an exempt supply of services to you, and the collection by you of such debts is outside the scope of VAT.

## 26. Changes in circumstances

### 26.1 Introduction to changes in circumstances

Your entry in the VAT register is based initially on the information you provide at the time you are registered.

If there are any changes to that information, you must notify full details **in writing** to the National Registration Service (**not** to the VAT Central Unit). You may render yourself liable to a civil penalty if you fail to notify any of these changes within the prescribed time limit.

See paragraph 6.1.3 for contact details for the National Registration Service.

This section explains the changes in circumstances which will require:

- cancellation of your registration; or
- amendment of your existing registration.

### 26.2 What changes require cancellation of registration?

Any of the following changes require your registration to be cancelled:

- (a) the business is closed down;
- (b) the business is sold;
- (c) the proprietor of the business takes one or more persons into partnership;
- (d) a partnership ceases to exist, but one of the former partners becomes sole proprietor of the business;
- (e) a company is incorporated to take over a business previously carried on by a sole proprietor or unincorporated association of persons, such as a partnership, club etc;
- (f) a business previously carried on by an incorporated company is taken over by a sole proprietor or unincorporated association of persons, such as a partnership, club etc;
- (g) taxable supplies cease for any other reason;
- (h) you have been granted an intending trader registration and you no longer intend to make taxable supplies by way of business; and
- (i) you apply to join the agricultural flat-rate scheme (see paragraph 26.13).

You must notify the National Registration Service **in writing** within 30 days of the change:

- quoting your registration number; and
- giving the date on which the change took place.

You may render yourself liable to a civil penalty if you fail to notify any of the above changes within the prescribed time limit. See Notice 700/11 Cancelling your registration for further details.

### **New registration number**

<b>If...</b>	<b>Then the new owner will apply for either...</b>
as a result of any of the changes in (b) to (f), the new owner is to be registered	<ul style="list-style-type: none"><li>• a new registration; or</li><li>• your registration number to be re-allocated to them (see Notice 700/9 Transfer of a business as a going concern for further details).</li></ul>

## **26.3 What changes require amendment of registration?**

Your registration will have to be amended in the case of **any changes in:**

- the name or trading name of the business, or the name and/or address of any partner in the business;
- the composition of a partnership, even if one or more of the former partners remains in the partnership;
- the name and/or address of the UK agent for VAT purposes, appointed by an overseas company or resident;
- the address of the principal place at which the business is carried on;
- your main business activity;
- status of the business from limited liability to unlimited liability, or vice versa, under Section 49 or 51 of the Companies Act 1985; or
- the bank account number, bank sorting code or Girobank account number of the business. As it may take up to 14 days to process any change of repayment method, you should give enough notice to allow the change to be completed. Please note that any delay in notification may result in a repayment being made under the existing arrangements.

You must notify the National Registration Service **in writing** within 30 days of the above changes:

- quoting your registration number; and
- giving the date on which the change took place.

You may render yourself liable to civil penalty if you fail to notify any of the above changes within the prescribed time limit. See Notice 700/1 Should I be registered for VAT? for further details.

Your registration number will not be altered as a result of these changes.

If you are using the **annual accounting scheme**

And...	Then...
there is a change in your bank account number, bank sorting code or Girobank account number	you must notify your bank and the <b>VAT Central Unit</b> Annual Accounting Section immediately, as the change will affect the direct debit arrangements.

## 26.4 Group treatment

If you wish to vary the composition of a VAT group, you should apply promptly to the National Registration Service. If you do not apply to include an additional member in the VAT group at the correct time, we will only allow a period of retrospection in very exceptional circumstances. See Notice 700/2 Group and Divisional Registrations for further details.

It is not possible to re-allocate a previously held VAT registration number to a group registration, or a VAT group registration number to a former group member on disbanding the group.

## 26.5 Divisional registration

A corporate body organised in divisions may be registered for VAT as such. Although each division is given its own registration number, it is the corporate body as a whole that is registered. The corporate body must sign an approval letter before becoming so registered.

If you do not meet the terms of that approval at any time, you must inform the National Registration Service **in writing**. The Service has the authority to cancel the divisional registration and restrict the corporate body to a single registration.

You can find more about this in Notice 700/2 Group and Divisional Registrations.

## 26.6 What changes require transfer between United Kingdom and Isle of Man VAT registers?

The UK and the Isle of Man maintain separate VAT registers. A change of circumstances may mean that transfer between these registers is appropriate.

You must notify the National Registration Service if:

You have been registered in the...	And you acquire a place of business or an agent in the...
UK	Isle of Man.
Isle of Man	UK.

If you had a place of business or an agent in both countries at the time you were registered, you must notify us of any major change in the functions carried out at either address.

See paragraph 6.1.3 for contact details for the National Registration Service.

## 26.7 Death or incapacity

If a taxable person dies, or becomes bankrupt or incapacitated (or a company goes into liquidation or receivership), and the business run by that person is then carried on by a personal representative, we will allow that personal representative to be treated as the same taxable person. This will apply until such time as another person is registered in respect of the taxable supplies etc concerned, or, in the case of incapacity, the person concerned is able to continue with their business. The person who carries on the business is responsible for complying with all the normal VAT obligations of a taxable person.

The personal representative carrying on such a business must notify the National Registration Service within 21 days of commencing to do so, giving details of the date of the death, or the nature of the incapacity and the date that it began, as appropriate. If the personal representative requires any further advice they should contact the National Registration Service. See paragraph 6.1.3 for contact details for the National Registration Service.

## 26.8 Death of a partner

The death of a partner should be notified to the National Registration Service within 30 days. If two or more partners remain, and they intend to continue in business, they should notify the National Registration Service accordingly and we will amend their details in our records.

If there is a single surviving partner and that partner intends to recruit a replacement partner, the National Registration Service should be informed of the details of the new partner within 30 days of the new partner's appointment.

If there is a single surviving partner and that partner decides to continue the business as a sole proprietor, the National Registration Service should be notified within 30 days of the change taking place.

## 26.9 Insolvency

When an individual proprietor or a partner of a business becomes bankrupt, the person carrying on the business must notify the Department within 21 days of commencing to do so at the following address:

HM Revenue & Customs  
Insolvency Branch  
Legal Recovery Unit  
3rd Floor N/W  
Queen's Dock  
Liverpool  
L74 4AA.

Similarly, when an administrator, administrative receiver or liquidator etc takes over the affairs of an incorporated company, they must also notify the Department, at the above address, of:

- the date from which they became responsible; and
- the circumstances in which they took over.

All notifications of formal insolvencies and administration orders should be registered on form VAT 769 with the Legal Recovery Unit.

See Notice 700/56 Insolvency for further information on the VAT treatment of insolvent traders.

## 26.10 Transfer of a business as a going concern

If...	Then...
you sell your business as a going concern or transfer it to another legal entity  (for example, by one of the changes described in paragraph 26.2(b) to (f))	the transfer of your business assets may not be a supply for VAT purposes.  If this is the case, you must <b>not</b> issue a VAT invoice or account for output tax and the new owner cannot reclaim input tax on the transaction.

In some circumstances the new owner may apply for your registration number to be re-allocated to them.

If you are a member of a partly exempt VAT group and you acquire a business as a going concern, the group may have to account for output tax on purchasing some of the assets.

See Notice 700/9 Transfer of a business as a going concern for full details of these arrangements.

## 26.11 Voluntary cancellation

Apart from the changes which require cancellation of your registration – as listed in paragraph 26.2 - you can ask for your registration to be cancelled if your turnover falls below certain limits.

You will find the limits in the supplement to Notice 700/11 Cancelling your registration. The main notice 700/11 explains the effects of cancellation and the procedure to follow. In particular, you may have to pay tax on stock and capital assets on hand at deregistration.

## 26.12 Exemption from registration

If your taxable supplies or acquisitions are, or have become, wholly or mainly zero-rated, you can, if you wish, apply to be exempted from registration. Exemption is allowed on the understanding that:

- your taxable supplies or acquisitions are, and will continue to be, wholly or mainly zero-rated; and
- if you were registered, your input tax would be more than your output tax in any 12 month period.

You must notify the National Registration Service within 30 days of the date of a material change or alteration in the:

- nature of your supplies; or
- proportion of your taxable supplies that are zero-rated,

which will affect your entitlement to exemption from registration. For example, this applies where, if you were registered, your output tax would be more than your input tax in any 12 month period.

If you cannot identify the exact date of the change, you must notify the National Registration Service within 30 days of the end of the calendar quarter in which the change occurred.

There are financial penalties for failing to notify these changes within the prescribed time limit.



Please remember that once you are exempted from registration, you cannot reclaim any VAT you are charged on purchases of goods or services for your business. You will find further information about exemption from registration in Notice 700/1 Should I be registered for VAT?

## 26.13 Agricultural flat-rate scheme

This scheme is an alternative to VAT registration for farmers or anyone involved in certain designated agricultural activities.

Farmers who are certified under the scheme do not have to account for VAT or submit returns and cannot reclaim input tax on business purchases. However, they can charge and keep a flat-rate addition of 4% when they sell qualifying goods and services to VAT registered customers.

You will find full details of the scheme in Notice 700/46 Agricultural flat-rate scheme.

## 27. Financial penalties and interest charges

### 27.1 Introduction to penalties and charges

HM Revenue & Customs use a range of measures to encourage people to register for VAT on time, send in accurate VAT returns and make payments on time.

One of these, Default Surcharge, is covered in paragraph 21.2.2. Other measures include:

- the penalty for late registration;
- the misdeclaration penalty for large or repeated errors;
- the penalty for evasion involving dishonesty; and
- interest charged on underdeclarations.

This section explains these measures, when they are put into effect, and how the amount of penalty or interest is calculated.

### 27.2 Late registration penalty

You may incur a penalty if you fail to notify us at the correct time that you should have registered for VAT. You can find more information about registration and the relevant time limits in Notice 700/1 Should I be registered for VAT?

The amount of the penalty is a percentage of the net VAT due to HM Revenue & Customs, from the date when you **should** have registered to the date when either we:

- received your application; or

- became fully aware of your need to be registered.

The percentage varies according to how late you were in registering.

<b>If you registered...</b>	<b>Then the penalty rate will be....</b>
less than 9 months late	5%.
9 to 18 months late	10%.
more than 18 months late	15%.

See Notice 700/41 Late registration penalty for further details.

## **27.3 Misdeclaration Penalty and Repeated Misdeclaration Penalty**

The Misdeclaration Penalty and Repeated Misdeclaration Penalty are designed to encourage businesses to submit accurate returns. We may impose a penalty whenever there has been a significant or repeated lack of care in preparing VAT returns, leading to the true amount of tax payable being underdeclared.

The penalty rate is 15% of the tax which would have been lost had the error not been discovered.

You may incur a penalty if you underdeclare tax by:

- showing too little tax due on your VAT return; or
- claiming a repayment which is too large on your VAT return; or
- failing to tell HM Revenue & Customs within 30 days that a centrally issued assessment is too low.

<b>If the underdeclaration is...</b>	<b>Then you may be liable to...</b>
•£1 million or more; or=equals 30% or more of the tax managed in the relevant period	Misdeclaration Penalty.
one of a series which is:•£500,000 or more; or=equals 10% or more of the tax managed in the relevant period	Repeated Misdeclaration Penalty.

A penalty will not be due if, for example, you:

- make a full disclosure of the underdeclaration, at a time when you had no reason to believe that we were investigating your tax affairs; or
- have a reasonable excuse for the underdeclaration.

We may reduce the amount of penalty if there are mitigating circumstances that fall short of a reasonable excuse. The amount of mitigation will depend on the circumstances of the case.

You will find more details about this in Notice 700/42 Misdeclaration Penalty and Repeated Misdeclaration Penalty.

These penalties do not imply any dishonesty or intention to evade tax. The penalty for conduct involving dishonesty is described in paragraph 27.4 below.

## 27.4 Tax evasion

Most taxpayers do pay what is due, but unfortunately some deliberately try to pay less than is due. When we think this may have happened, we have to investigate the matter.

### 27.4.1 Objectives

Our objectives in tackling fraud are to:

- secure the highest level of overall compliance;
- stop fraud at the earliest opportunity;
- collect the unpaid tax and related penalties and interest; and
- ensure, as far as possible, that the fraud does not recur.

### 27.4.2 Civil action

In most cases where we suspect dishonest evasion of VAT, we will investigate with a view to the imposition of a **civil** penalty. The maximum penalty in such cases is an amount equal to the VAT evaded. We will encourage you to co-operate and produce evidence, and we may reduce the penalty to take account of the extent of your co-operation with our investigations.

### 27.4.3 Criminal proceedings

However, we may also investigate any case of suspected dishonest evasion of VAT with a view to bringing **criminal** proceedings. We will decide on the appropriate course of action according to the merits of each case but we generally prosecute only the more serious or aggravated cases. In particular, prosecution is more likely where one or more of the following circumstances apply:

- the evasion involves a registration of one or more businesses whose activities are solely, or primarily, bogus or undertaken as a systematic fraud against the tax;
- there is, during the course of investigation of a civil offence, a deliberate intent to deceive;

- the evasion is perpetrated by: lawyers, accountants or others who advise businesses about VAT matters; current or former tax officials; or a person who occupies a prominent position in the field of law or government;
- the evasion is executed together with other criminal activities - for example, excise evasion or where the case is being investigated criminally by the Inland Revenue;
- there has been a previous VAT or customs or excise offence which was concluded by the imposition of a penalty, the compounding of proceedings or a criminal conviction;
- where there is a conspiracy to evade VAT, other than by persons within the same legal entity;
- where the evasion is perpetrated by an undischarged bankrupt; and
- in circumstances where HM Revenue & Customs have directed that a security should be given under VAT Act 1994, Schedule 11, paragraph 4(2) and taxable supplies take place without the security being given.

As an alternative to criminal proceedings, we may accept a financial settlement in place of proceedings pursuant to the HM Revenue & Customs Management Act 1979, section 152. This is known as **compounding**. We take the decision whether to prosecute or compound proceedings according to the merits of each case.

## 27.5 Other penalties

You can incur penalties for various other breaches of HM Revenue & Customs VAT requirements, such as failure to keep or produce VAT records and unauthorised issue of VAT invoices. Our National Advice Service can provide further details if necessary.

## 27.6 Reasonable excuse and mitigation

If we or the VAT and Duties Tribunal (see Section 28) agree that there is a reasonable excuse for your late registration or misdeclaration, you will not be liable to a penalty. Alternatively, a penalty can be reduced if there are mitigating circumstances that fall short of a reasonable excuse.

## 27.7 Default interest

In addition to penalties, you can also be charged interest on misdeclarations of VAT, normally where it represents commercial restitution.

If we find that you have made misdeclarations, we will send you a Notice of Assessment, showing how much VAT you owe and the amount of interest due.

The interest is calculated:

- **from** the date when you should have first paid the outstanding VAT,
- **to** the date shown on the Notice of Assessment.

Where you have made a repayment claim and are then found to have overclaimed VAT, the interest is calculated from 7 days after the date we authorised your repayment.

In either case above, interest will not be charged for more than 3 years before the date the assessment is processed.

The interest will be calculated as a percentage of the VAT you owe. It will be a simple - not a compound – rate, set by the Treasury, and will broadly reflect current commercial rates of interest. You will be liable to a further interest charge if you do not pay the VAT due within 30 days of the date of the Notice of Assessment.

You cannot deduct interest from your net profit for the purposes of calculating your direct tax liability. The rate of interest is set to reflect this.

See Notice 700/43 Default interest for further information.

## **28. Appeals**

### **28.1 Information on reviews and appeals**

Information on reviews and appeals is available in our fact sheet HMRC 1 at [www.hmrc.gov.uk](http://www.hmrc.gov.uk) or by phoning 0845 900 0404.

## **29. Zero-rating, reduced-rating and exemption**

### **29.1 Introduction to zero-rating, reduced-rating and exemption**

Section 3 of this notice tells you about the different types of supplies you can make:

- standard-rated;
- reduced-rated;
- zero-rated; and
- exempt.

This section does not explain the liability of supplies. However, it does tell you:

- in broad terms, the areas of business where you will need to check the liability of your supplies; and
- which other notices you should ask for if you are involved in any of the areas mentioned.

Remember, if any supply that you make is not zero-rated or exempt, it is standard-rated or reduced-rated.

If you read any of the other notices and you are still not sure about the liability of your supplies after you have looked at them, don't guess - ask our National Advice Service.

Remember, if you incur input tax that is related to exempt supplies as well as taxable supplies, you are termed as partly exempt and you will probably not be able to claim all your input tax. See Section 13 for further information.

## **29.2 List of areas of business and related notices**

### **29.2.1 Betting and gaming**

Notice 701/26

Some supplies connected with betting and gaming are exempt. Others are standard-rated.

This notice explains how VAT applies to betting and gaming generally. There are other publications dealing specifically with:

- Gaming and amusement machines: Notice 701/13;
- Bingo: Notice 701/27; and
- Lotteries: Notice 701/28.

### **29.2.2 Burial, cremation and commemoration of the dead**

Notice 701/32

Most supplies relating to burial or cremation are exempt, but there are important exceptions. This notice explains which supplies are exempt and which are taxable.

### **29.2.3 Caravans and houseboats**

Notice 701/20

This explains when the supply of a caravan or houseboat is standard-rated and when it is zero-rated. It also gives information about various services provided by site operators and mooring owners.

For the letting of caravans or houseboats as holiday accommodation, see also Notice 709/3.

## **29.2.4 Charities**

Notice 701/1

Some supplies made by or to charities are zero-rated, some are reduced-rated, some are standard-rated and some exempt.

Examples are:

- advertising supplied to charities – zero-rated, see Notice 701/58;
- fund-raising events organised by charities – exempt, see leaflet CWL4; and
- fuel and power supplied to charities for their non-business use – reduced rate, see Notice 701/19.

Paragraph 8.9.3 of this notice tells you about the zero-rating of donated goods to charities for sale by them.

## **29.2.5 Clothing and footwear**

Notice 714

This explains which supplies of young children's clothing and footwear can be zero-rated.

There is also information about protective boots and helmets in Notice 701/23.

## **29.2.6 Clubs and associations**

Notice 701/5

This explains the effect of VAT law on supplies made by clubs and associations, and the scope of the exemption for bodies that have objects that are in the public domain and are of a trade union, political, religious, patriotic, philosophical, philanthropic or civic nature.

If you run a youth club you also need Notice 701/35. This explains how far you can treat your supplies as exempt.

## **29.2.7 Competitions in sport and physical recreation**

Notice 701/45 Sport

## **29.2.8 Construction, land and accommodation**

### **(a) Developing and work to dwellings, residential and charity buildings**

Notice 708

This explains when the sale or long lease of dwellings, certain residential buildings (such as care homes) and certain buildings used by charities is zero-rated.

The notice also explains when work to construct, convert into or alter, a dwelling, residential building or charity building is zero-rated or reduced-rated.

### **(b) Land and buildings**

This includes sales, leases, licences, rights over land, sporting and mineral rights and parking facilities. Many of these supplies are exempt (although you can choose to standard-rate some supplies of property which would otherwise be exempt by opting to tax); but some are zero-rated and some are standard-rated.

If you are involved in property development or transactions in land or existing buildings you need Notice 742 and Notice 742A.

If you carry out works to protected buildings you need Notice 708.

### **(c) Hotel, hostel and similar accommodation, and holiday accommodation**

Notice 709/3

This explains when the supply of accommodation is standard-rated.

## **29.2.9 Culture**

Notice 701/47

This notice explains the scope of the exemptions for admission charges to cultural exhibitions and events and for associated fund-raising activities.

## **29.2.10 Derivatives and Terminal markets**

Notice 701/9

This tells you about the VAT treatment of transactions in commodity and financial derivatives and trading on certain commodity markets.

## **29.2.11 Education and vocational training**

Notice 701/30

This explains which supplies related to education are exempt and which are standard-rated. In particular, it deals with:

- education;



- training;
- research;
- private tuition; and
- supplies provided in connection with these.

## 29.2.12 Exports

The following notices set out the various procedures which allow goods, normally standard-rated in the UK, to be zero-rated as exports:

- Notice 703 Exports and removals of goods from the United Kingdom - a general notice which explains the conditions and procedures for zero-rating the supply of goods for export;
- Notice 703/1 Supply of freight containers for export or removal from the United Kingdom - explains the rules for zero-rating the supply of freight containers which are sold or hired for use in international transport;
- Notice 703/2 Sailaway boats supplied for export outside the European Community - explains the scheme for zero-rating the supply of a boat which is to be exported under its own power;
- Notice 704 Retail exports «LINK»- explains the schemes for zero-rating goods sold by retail to overseas visitors, UK residents going abroad or crews of ships or aircraft;
- Notice 705 Personal exports of motor vehicles to destinations outside the European Community - explains the scheme for buying a motor vehicle free of VAT and road tax for temporary use in the UK before export; and
- Notice 705A Supplies of vehicles under the Personal Export Scheme for removal from the European Community.

## 29.2.13 Finance and Securities

Notice 701/49

This explains which dealings in money, trading in securities and associated financial services are exempt and which are standard-rated. It contains information about:

- dealings in money and assignment of debts;
- provision of credit and loans;
- arrangements for all the above;

- the operation of bank accounts;
- stocks, shares, bonds and other securities;
- broking services; and
- other specialised services related to holding and trading these securities.

If you have an international business in financial services or securities, you will also need Notice 741 Place of supply of services to help you decide which of the supplies you make are within the scope of UK VAT and how far you can recover input tax on the transactions you undertake.

### **29.2.14 Food, catering and agriculture**

Notice 701/14

This notice explains which supplies of food and drink for human consumption are zero-rated and which are standard-rated. It does not cover catering and take-away food, which is dealt with in Notice 709/1.

There are also publications about:

- Animals and animal food: 701/15;
- Seeds and plants: 701/38; and
- Food processing: 701/40 – includes abattoirs.

### **29.2.15 Fuel and power**

Notice 701/19

This notice explains which supplies of solid fuels, oils, gases, electricity, heating, refrigeration and air-conditioning are liable at the reduced rate or standard rate.

### **29.2.16 Gold and investment gold coins**

Notice 701/21 Gold explains which supplies of gold are standard-rated, which are zero-rated and which are outside the scope of VAT. The notice also covers the special voluntary scheme for gold transactions.

Notice 701/21A Investment gold coins contains a list of investment gold coins.

### **29.2.17 Health**

Notices 701/31 and 701/57

Some supplies by health professions and institutions are exempt, some are zero-rated and some are standard-rated.

Examples:

- medical and dental care provided by health professionals – exempt, see Notice 701/57;
- hospitals and nursing homes – exempt, see Notice 701/31;
- supplies of some take away drugs by NHS GPs – zero-rated, see Notice 701/57; and
- hearing aids – standard-rated, see Notice 701/57.

The liability of supplies of medical and surgical appliances and goods for people with disabilities, and the repair and maintenance of these is explained in Notice 701/7.

## **29.2.18 Insurance**

Notice 701/36

This notice explains which insurance services are exempt and which are outside the scope of VAT with or without input tax recovery.

It covers the VAT implications for supplies of:

- insurance and reinsurance transactions; and
- insurance related services performed by brokers and agents.

## **29.2.19 International services: zero-rating**

Notice 744D

This notice explains when zero-rating applies to:

- work on goods for export from the EC;
- intermediary services; and
- training services supplied to overseas governments.

## **29.2.20 Passenger transport, international freight, ships and aircraft**

Notices 744A, 744B and 744C

These notices explain when supplies of freight and passenger transport, and supplies in the ship and aircraft construction and repair industry can be zero-rated. They also deal with the zero-rating provided for the handling of certain ships, aircraft and cargo in UK ports and customs airports.

There are also notices which cover:

- parking facilities: 742 Land and Property; and
- taxis and hire-cars: 700/25.

### **29.2.21 Place of supply of services**

Notice 741

This notice explains the place of supply of services, many of which follow special rules, depending on the nature of the service itself. In particular, it deals with:

- services relating to land;
- transport;
- services of intermediaries;
- services supplied where performed (for example, cultural, artistic, services relating to exhibitions);
- services supplied where received (as listed in Schedule 5 to the VAT Act 1994);
- goods on hire; and
- telecoms.

### **29.2.22 Postage stamps and philatelic supplies**

Notice 701/8

This notice explains the VAT treatment of supplies of new and used stamps, including first day covers and stamped stationery.

### **29.2.23 Printed matter including books, newspapers, etc**

Notice 701/10

This notice explains which supplies of books, newspapers, periodicals, leaflets, music, maps and other printed matter are zero-rated and which are standard-rated.

### **29.2.24 Protective Equipment**

Notice 701/23

This notice explains the scope of the zero-rating for motorcycle, cycle and other protective helmets and for protective boots.

It also contains details of the reduced rate for children's car seats.

### **29.2.25 Sport**

Notice 701/45

This notice explains the scope of the exemptions for sporting and physical education services and for entry fees for competitions in sport and physical recreation.

### **29.2.26 Tools for the manufacture of goods for export**

Notice 701/22

This notice deals with the liability of supplies of certain tools to overseas customers, where the tools are used in the UK solely for the manufacture of goods for export.

### **29.2.27 Trade unions, professional bodies and learned societies**

Notice 701/5 Clubs and associations

### **29.2.28 Water and sewerage services**

Notice 701/16

This notice explains which supplies of water and sewerage services are zero-rated and which are standard-rated.

### **29.2.29 Works of art etc, disposals from stately homes**

Notice 701/12

This explains when disposals of works of art and other objects, including manuscripts, prints and scientific objects, are liable to VAT. It also covers the arrangements under which certain disposals, exempted from capital taxation, may be exempted from VAT.

## **30. Changes in tax rates and liability**

### **30.1 Introduction to changes in tax rates and liability**

This section explains what to do when there is a change in the rate of VAT (see paragraph 3.7). The same provisions apply when the tax liability of particular goods and services changes. It is possible that other procedures might be necessary but details of these would be given at the time of any change.

When a VAT rate or liability is changed, it may have to be introduced at short notice. We recommend that your accounting system - whether or not you use a computer - is designed to enable you to adjust to the change without difficulty.

### Some particular circumstances

If you...	Then you...
use the cash accounting scheme	can still follow the rules in this section to work out what rate of tax applies.  But you must account for the VAT that is due on the return for the tax period in which you receive payment. This is explained in Notice 731 Cash accounting.
use a retail scheme	should follow the guidance given in Notice 727 Retail schemes, but see also paragraph 30.8 below.
are newly registered	cannot use the rules set out in this section to work out whether you have to account for any tax on a supply which spans your date of registration.  You must follow the time of supply (tax point) rules set out in Sections 14 and 15 of this notice to decide whether the supply should be treated as having been made before, or after, the date of registration.

## 30.2 Definition of a change in tax rate

In this notice a change in tax rate means that the standard rate or reduced rate has been changed or a new rate has been introduced. Any change will apply from a widely publicised date.

## 30.3 Definition of a change in tax liability

A change in tax liability means that supplies which were taxable at one tax rate - for example, zero rate - become taxable at another - for example, standard rate. It also includes changes involving exempt supplies. This might happen because of a change in the law or in its interpretation.

We will publicise the change, but if you are in any doubt about the tax liability of your supplies or the date of the change, you should ask our National Advice Service.

## 30.4 Date of change

Any change in the tax rate or liability will be effective from a specific date. This means that tax will be due at the new rate on supplies of the affected goods or services made on, or after, the date on which the change takes effect.

The date on which supplies are treated as being made for VAT purposes is governed by the tax point rules. Any reference to normal tax points in this section means the tax point as defined in Sections 14 and 15 of this notice. Normally, no change of rate or liability can apply to any supply with a tax point before the effective date of the change, but see paragraph 30.8.2 below.

There are special rules for imported goods and warehoused goods (see paragraph 30.18 below).

## 30.5 Ready reckoner

A ready reckoner will be published if the VAT fraction (see paragraph 7.3.1) for the new rate would make it difficult to calculate the tax in tax-inclusive amounts.

## 30.6 Reclaiming input tax after a change in tax rate or liability

When reclaiming input tax following a change in the tax rate or tax liability, you must reclaim it at the rate charged by your supplier.

If...	Then you ...
you receive a VAT invoice on which tax has been charged at the old rate	can treat as input tax only the actual amount of VAT shown.
the amount of tax is not separately shown (for example, if you receive a less detailed VAT invoice - see paragraph 16.6.1)	should work out your input tax by applying the VAT fraction which was appropriate at the tax point.
you receive continuous supplies of services invoiced to cover a period up to one year ahead of the supply	should see paragraph 30.10 below.

## 30.7 Completing your VAT return

You must continue to account for VAT in the period in which the normal tax point occurs. This applies even if you adopt the special rules explained in the following paragraph for deciding the rate of VAT to charge. You should not split the amounts shown on the return between the old and new rules.

## 30.8 Output tax

### 30.8.1 General principles

When there is a change in tax rate or tax liability, tax is chargeable in accordance with the normal tax point rules as set out in Sections 14 and 15 of this notice, unless you decide to adopt the special change of rate provisions shown below.

**Remember, to issue a VAT invoice you must send or give it to your customer for them to keep; a tax point cannot be created simply by preparing an invoice. An invoice issued for a zero-rated or exempt supply does not create a tax point.**

### 30.8.2 Special change of rate provisions

If you wish, you may choose to adopt the rate or liability in force at the basic tax point for supplies affected by a change of rate or tax liability. You may do this for all your affected supplies or only some of them.

You must **not** use these provisions if you have issued a VAT invoice under an approved self-billing arrangement (see paragraph 17.4.1) or when goods are sold from the assets of a business in satisfaction of a debt (see paragraph 18.4).

The special provisions operate as explained overleaf.

### 30.8.3 Using the special provisions when the tax rate or liability goes up

When the amount of VAT to be charged on the supply goes up, you can charge tax at the old rate on goods removed or services performed before the date of the change, even though the tax point would normally be established by the issue of a VAT invoice after the change.

#### Example

This example shows how the normal rules and the special provisions would apply for a supply of goods affected by an increase in rate of tax in the following circumstances:

- 1 April: Goods removed;
- 5 April: Tax rate goes up;
- 10 April: VAT invoice issued.

#### Normal rules

Unless you have decided, under paragraph 14.2.2 of this notice, not to follow the 14 day rule, the date of issue of the VAT invoice is the actual tax point. Tax would be due at the new rate.



If you do not follow the 14 day rule, the date when the goods were removed is the tax point. Tax would be due at the old rate.

### Using the special provisions

If you use the special provisions, the basic tax point applies and tax is chargeable at the old rate. The VAT invoice **must** show the old rate of tax.

## 30.8.4 Using the special provisions when the tax rate or liability goes down

When the amount of VAT to be charged on the supply goes **down**, you can charge tax at the new rate on goods removed or services performed after the date of the change, even though payment has been received or a VAT invoice issued before that date.

### Example

This example shows how the normal rules and the special provisions would apply for a supply of goods affected by a decrease in rate of tax in the following circumstances:

- 1 April: VAT invoice issued or payment received;
- 5 April: Tax rate goes down;
- 10 April: Goods removed.

### Normal rules

The date of issue of the VAT invoice or receipt of payment is the actual tax point to the extent of the amount invoiced or paid. Tax would be due at the old rate on the amount invoiced or paid.

### Using the special provisions

If you use the special provisions, the basic tax point applies and tax is due at the new rate. If you have already issued a VAT invoice showing the old rate of tax, you **must** correct it by issuing a credit note (see 30.8.5 below).

## 30.8.5 Credit notes

Any credit note required under 30.8.4 above should be issued within 14 days after the change and should contain the following details:

- the identifying number and date of issue of the credit note;
- your name, address and registration number;
- your customer's name and address;

- the identifying number and date of issue of the VAT invoice;
- a description which identifies the goods or services supplied; and
- the amount of VAT being credited.

If you receive a credit note in this form, you must follow the procedure described in paragraph 19.9 of this notice.

## 30.9 Supplies of services - general

When you make a supply of services, such as decorating, part of the work may take place before the date of a change in the tax rate or liability and part on, or after, that date.

In such cases, provided that the supply can be apportioned either:

- on the basis of measurable work; or
- in accordance with your normal costing or pricing system,

you may, if you wish, charge tax at the old rate on the part of the work which was performed before the date of the change and at the new rate on the part which was, or is to be, performed on or after that date.

If you issued a VAT invoice before the date of the tax change and apportionment reduces the amount of tax due, you must issue a credit note in accordance with paragraph 30.8.5 above.

## 30.10 Continuous supplies of goods and services

### 30.10.1 Normal tax point rules

The tax points for continuous supplies of goods or services (including the supply of goods on hire, lease or rental) are described in paragraph 14.3 of this notice. Tax is normally chargeable at the rate in force at each tax point.

If you issue VAT invoices covering periods up to one year ahead, giving the amounts and dates when payments are due, they are no longer valid for any payments due after the change. Your customers cannot use these invoices to support claims for input tax.

You **must** issue fresh VAT invoices for the payments due after the change, showing tax chargeable at the new rate. Fresh VAT invoices issued in these circumstances must refer to and cancel that part of the original VAT invoice which has been superseded. On receipt, your customers must adjust their input tax record accordingly.

### 30.10.2 Using the special provisions

Where a continuous supply spans a change in the tax rate or liability, you may, if you wish, account for tax at the old rate on that part of the supply made before the change, even though the tax point would occur after the change (for example, where a payment is received in arrears of the supply).

Conversely, you may, if you wish, account for tax at the new rate on that part of the supply made after the change, even though the normal tax point occurred earlier (for example, where a payment is received in advance of the supply).

In each case, you should account for tax on the basis of the value of the goods actually supplied or services actually performed, before or after, the change as appropriate. If this procedure reduces the liability to tax of a supply for which a VAT invoice has already been issued at a higher rate, you **must** issue a credit note in accordance with paragraph 30.8.5.

## 30.11 Facilities provided by clubs, associations etc

In most cases, the tax point for the supply of facilities by a club or association in return for a member's subscription is the time when the subscription is received or a VAT invoice is issued, whichever happens first.

The association must account for tax on the goods or services at the rate in force at the tax point. However, if payment is accepted in instalments, or separate invoices are issued, the association should follow the procedure in paragraph 30.10 above.

## 30.12 Hire-purchase, conditional sale and credit sale

Under any of these types of agreement there is a single supply of goods, and the normal tax point is the **earliest** of the following:

- the date of removal of the goods;
- the date of issue of the agreement (provided the agreement is in the form of a VAT invoice); or
- the date of the issue of a separate VAT invoice.

At the time of a change you may apply the tax rate in force at whichever of these dates results in a lower rate of tax being chargeable on the supply.

The mere signing of an agreement, or its date, does not itself constitute a tax point.

## 30.13 Payments and VAT invoices in advance of the basic tax point

If you have...	Then...
received a full or a part payment; or issued a VAT invoice <b>in advance of the basic tax point</b>	tax will normally be due on the amount paid or invoiced at the rate in force at that date (see paragraph 14.2.2).
However, if...	Then...
there is a change in the tax rate before the supply is actually made	you may choose to account for tax at the rate in force when the supply is actually made, and issue a credit note to correct any VAT overcharged on the original VAT invoice (see paragraph 30.8.5).

## 30.14 Credits (not arising from the change in rate) and contingent discounts

If you decide to adjust the original tax charge (see paragraph 18.2), tax should be credited at the rate in force at the tax point of the original supply.

Where a contingent discount is allowed and you adjust the original tax charge, tax should be credited at the rate in force at the time of each supply qualifying for the discount.

## 30.15 Price escalation and other upward adjustment in prices

Where a further payment is required (for example, under a price escalation clause) after a change in the tax rate or liability and after the tax point for the original supply, tax is chargeable on the further payment at the old rate.

This rule applies only to supplies for which the tax point was determined under the rules described in paragraph 14.2 of this notice. In all other cases, the date when you receive further payment or issue a VAT invoice - whichever happens first - is a tax point and tax is chargeable at that time on the amount received or invoiced.

## 30.16 Existing contracts

If...	And...	Then...
a contract is made for a	there is a change in the	unless the contract

supply of goods or services	rate of tax or liability before you supply them	provides otherwise, the price for the supply is increased or decreased by an amount equal to the change.
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The application of this provision in any particular case depends on the terms of the contract between the parties concerned. We cannot advise on individual cases.

## 30.17 Second-hand goods

Tax due on the sale of an eligible article under one of the schemes for second-hand goods etc (see paragraph 8.5) is determined by applying to the tax-inclusive margin, the VAT fraction appropriate to the rate of tax in force at the tax point.

The tax point for goods sold under a second-hand scheme is either:

- the date of removal of the goods; or
- the date of the receipt of payment, whichever is earlier.

But if there is a change in the tax rate or liability before the goods are removed, you can, if you wish, account for tax at the rate in force when the goods are removed, even if you have already received payment.

A VAT invoice must not be issued for goods supplied under a second-hand scheme.

## 30.18 Warehoused goods

### 30.18.1 Imported goods

When goods are removed from warehouse for home use, the rate of VAT chargeable is that in force at the time of removal.

### 30.18.2 Home-produced goods subject to excise duty which have been supplied whilst in warehouse

The rate of VAT chargeable is that in force when the excise duty is paid.

For goods relieved of excise duty, the rate of VAT chargeable is that applicable at the time of their removal from warehouse.

## 31. VAT Act 1994, Schedule 5, Paragraphs 1 to 8

(This list of services is referred to in paragraphs 4.8.3 and 5.4)

Paragraph	Type of service
1	Transfers and assignments of copyright, patents, licences, trademarks and similar rights.
2	Advertising services.
3	Services of consultants, engineers, consultancy bureaux, lawyers, accountants and other similar services; data processing and provision of information (but excluding from this head any services relating to land).
4	Acceptance of any obligation to refrain from pursuing or exercising, in whole or part, any business activity or any such rights as are referred to in paragraph 1 above.
5	Banking, financial and insurance services (including reinsurance, but not including the provision of safe deposit facilities).
6	The supply of staff.
7	The letting on hire of goods other than means of transport.
7A	Telecommunications services, that is to say services relating to the transmission, emission or reception of signals, writing, images and sounds or information of any nature by wire, radio, optical or other electromagnetic systems, including the transfer or assignment of the right to use capacity for such transmission, emission or reception.
8	The services rendered by one person to another in procuring for the other any of the services mentioned in paragraphs 1 to 7A above.

## 32. Apportionment of output tax

### 32.1 Introduction to apportionment of output tax

This section gives examples of how to apportion output tax (see paragraph 8.1 of this notice).

There are two basic methods of apportioning output tax - one based on cost, the other on market value. There are examples here of both these methods, including an example of apportionment where you can only determine the cost of one of the supplies.

Both methods can be adapted to apply to either tax-inclusive or tax-exclusive amounts, as shown in the examples under Method 1(a).

You do not have to use any of the methods shown here but, if you do use a different method, it must still give a fair result.

Apportionment is only necessary if the price you charge is the only consideration for the supplies (see paragraph 7.3). If the consideration is not wholly in money you must account for VAT on the open market value of the supplies, as explained in paragraph 7.4.

## 32.2 Examples of methods for apportioning output tax

The examples assume that the standard rate of VAT is 20% and the VAT fraction is therefore 1/6.

### 32.2.1 Method 1(a) An apportionment based on the cost of both supplies

#### Example 1: VAT-inclusive price

You make a zero-rated supply and a standard-rated supply and you charge an inclusive price of £139. The cost (see paragraph 7.6) of the zero-rated supply is £23 and the tax-exclusive cost of the standard-rated supply is £40.

You can work out the VAT and the tax values like this:		
<b>(a)</b>	Total price (including VAT)	£139
<b>(b)</b>	Cost of zero-rated supply	£23
<b>(c)</b>	Cost of standard-rated supply	£40
To work out the VAT on the standard-rated supply:		
<b>(d)</b>	Multiply <b>(c)</b> by the standard rate of VAT: £40 x 20% = £8	

To work out the cost of the standard-rated supply including VAT:

**(e)** Add **(c)** and **(d)**: £40 + £8 = £48

To work out the total cost, including VAT, of both supplies:

**(f)** Add **(b)** and **(e)**: £23 + £48 = £71

To work out what proportion the standard-rated supply forms of the total cost:

**(g)** Divide **(e)** by **(f)**:

$$\frac{\underline{\pounds 48}}{\pounds 71} = 0.6760$$

To work out the amount of the total price formed by the standard-rated supply:

**(h)** Multiply **(g)** by **(a)**:  $0.6760 \times \pounds 139 = \pounds 93.96$

This is the VAT-inclusive price of the standard-rated supply.

To work out the VAT included in this amount:

**(i)** Multiply **(h)** by the VAT fraction:

$$\pounds 93.96 \times \frac{1}{6} = \underline{\pounds 15.66}$$

To work out the tax value of the standard-rated supply:

**(j)** Subtract **(i)** from **(h)**:

$$\pounds 93.96 - \pounds 15.66 = \pounds 78.30$$

To work out the tax value of the zero-rated supply:

**(k)** Subtract **(h)** from **(a)**:  $\pounds 139 - \pounds 93.96 = \pounds 45.04$

**So the price of £138 is apportioned like this**

Value of standard-rated supply = £78.30

VAT on standard-rated supply = £15.66

Value of zero-rated supply = £45.04

**Total price (including VAT) = £139.00**

### **Example 2: VAT- exclusive price**

For the purpose of this example, the circumstances are identical to those described in example 1 except that you are calculating VAT on the basis of a tax-exclusive selling price of £126.

The VAT and tax values are therefore calculated as follows:

**(a)** Total price (excluding VAT) £126

**(b)** Cost of zero-rated supply £23

**(c)** Tax-exclusive cost of standard-rated supply £40

To work out the cost of both supplies:

**(d)** Add **(b)** and **(c)**:  $\pounds 23 + \pounds 40 = \pounds 63$



To work out what proportion the standard-rated supply forms of the total cost:

**(e)** Divide **(c)** by **(d)**:

$$\frac{\pounds 40}{\pounds 63} = 0.6349$$

To work out the amount of the total price formed by the standard-rated supply:

**(f)** Multiply **(e)** by **(a)**:  $0.6349 \times \pounds 126 = \pounds 80$

This is the tax value of the standard-rated supply, excluding VAT.

To work out the VAT on the standard-rated supply:

**(g)** Multiply **(f)** by the standard rate of VAT:  $\pounds 80 \times 20\% = \pounds 16$

To work out the tax value of the zero-rated supply:

**(h)** Subtract **(f)** from **(a)**:  $\pounds 126 - \pounds 80 = \pounds 46$

### **32.2.2 Method 1(b) An apportionment based on the cost of one supply only**

You make a standard-rated supply and a zero-rated supply and you charge an inclusive price of £144. The zero-rated supply is of goods which cost you £28 - but the standard-rated supply is of services, the costs of which you cannot identify.

You can work out the VAT and the tax values like this:

**(a)** Total price (including VAT) £144

**(b)** Cost of zero-rated supply £28

To work out the value of the zero-rated supply:

**(c)** Add an uplift to **(b)**:  $\pounds 28 + (\text{say}) 50\% = \pounds 42$

The actual cost-to-value uplift you apply will depend on the specific circumstances, but it must be a fair and reasonable figure, consistent with the profit margins actually achieved in your business.

To work out the amount of the total price formed by the standard-rated supply:

**(d)** Subtract **(c)** from **(a)**:  $\pounds 144 - \pounds 42 = \pounds 102$

To work out the VAT included in this amount:

**(e)** Multiply **(d)** by the VAT fraction:

$$\pounds 102 \times \frac{1}{6} = \pounds 17.00$$

To work out the value for VAT of the standard-rated supply:

**(f)** Subtract **(e)** from **(d)**: £102 - £17.00 = £85.00

**So the price of £142 is apportioned like this:**

Value of standard-rated supply £85.00

VAT on standard-rated supply £17.00

Value of zero-rated supply £42.00

**Total price (including VAT) £144.00**

### **32.2.3 Method 2 An apportionment based on market values**

You make a zero-rated supply and a standard-rated supply and charge an inclusive price of £200. Normally, your customer would have to pay £50 for the zero-rated supply and £200 (including VAT) for the standard-rated supply.

You can work out the tax values and the tax due like this:

**(a)** Total price (including VAT) £200

**(b)** Normal price for zero-rated supply £50

**(c)** Normal price (including VAT) for standard-rated supply £200

To work out the normal price for both supplies:

**(d)** Add **(b)** and **(c)**: £50 + £200 = £250

To work out what proportion the standard-rated supply forms of the total normal price:

**(e)** Divide **(c)** by **(d)**:

$$\frac{£200}{£250} = 0.8$$

To work out the amount of the total price formed by the standard-rated supply:

**(f)** Multiply **(a)** by **(e)**: £200 x 0.8 = £160

This is the VAT-inclusive price of the standard-rated supply.

To work out the VAT included in this amount:

**(g)** Multiply **(f)** by the VAT fraction:

$$£160 \times \frac{7}{47} = £23.83$$

$$£160 \times \frac{1}{6} = £26.67$$

To work out the tax value of the standard-rated supply:

**(h)** Subtract **(g)** from **(f)**: £160 - £26.67 = £133.33

To work out the tax value of the zero-rated supply:

**(i)** Subtract **(f)** from **(a)**: £200 - £160 = £40

**So the price of £200 is apportioned like this:**

Value of standard-rated supply £13.33

VAT on standard-rated supply £26.67

Value of zero-rated supply £40.00

**Total price (including VAT) £200.00**

## **33. Apportionment of tax between business and non-business activities**

### **33.1 Introduction to apportionment between activities**

This section explains how to treat tax incurred on goods or services that are used only partly for business purposes (see paragraph 4.6.6).

There are special rules for private use of road fuel. These are set out in Notice 700/64 Motoring expenses.

### **33.2 Need for apportionment**

You cannot treat VAT incurred on purchases of goods and services as input tax unless you intend to use those goods or services for the purposes of your business.

#### **33.2.1 Services**

If you buy services for both business and non-business (including private) purposes, you can treat only part of the VAT as input tax. You must work out what proportion of the use of the services is for business purposes. This is called apportionment. You can then make any further apportionment for partial exemption purposes.

### 33.2.2 Goods

If you buy goods for both business and private purposes, you **may** apportion the tax in the same way as you would for tax on services. However, if you choose, you may reclaim all the tax on the goods as input tax and then go on to account for output tax in each accounting period on the costs of making the goods available for private purposes.

### 33.3 Private use

If you buy goods or services for both business and private use, you must first decide on the percentage of business use. You can then work out the amount of VAT you can treat as input tax.

For example, if the VAT on the purchase is £100 and only one quarter is used for business purposes the input tax will be:

$$£100 \times 1/4 = £25$$

### 33.4 Non-business activities

If you use goods or services partly for non-business activities - for example, if your organisation is a charity - you will not be able to treat all the VAT you pay as input tax.

You should begin by identifying, as far as you can, VAT on those purchases that are wholly attributable to either a business or a non-business use. Remember, VAT on purchases used wholly for non-business purposes is not input tax.

The VAT incurred on your remaining purchases, which you cannot attribute wholly to a business or non-business use, must then be apportioned. **There is no special method of apportionment** but your calculations must be fair and reasonable, and you must be able to justify them.

### 33.5 Example of a method of apportionment

This example shows how you can apportion VAT based on your income.

You should exclude from the calculation:

- the VAT on purchases which will be used wholly for either business or non-business purposes and deal with this as set out above; and
- purchases on which you can never reclaim input tax (see paragraph 10.3).

For the purposes of this example:

- you pay £1,000 VAT on purchases which are used for both business and non-business purposes;
- your income from business activities (taxable and exempt supplies) amounts to £20,000 per year; and
- your total income from all sources, including business activities, grants and donations, amounts to £50,000 per year.

You can work out your input tax like this:

**(a)** Total VAT paid £1,000

**(b)** Income from business activities £20,000

**(c)** Total income £50,000

To work out the proportion which is business income:

**(d)** Divide **(b)** by **(c)**:

$$\frac{\pounds 20,000}{\pounds 50,000} = \frac{2}{5}$$

To work out how much of the VAT you have paid you can treat as input tax:

**(e)** Multiply **(a)** by **(d)**:

$$\pounds 1,000 \times \frac{2}{5} = \pounds 400$$

This is your provisional input tax for the VAT period.

<b>At the end of each ...</b>	<b>You...</b>
tax period	can reclaim the input tax provisionally, subject to the normal rules.
tax year	should make an adjustment by making the same calculation using your total figures for the year.
<b>If your returns are...</b>	<b>Then your tax year ends on...</b>
quarterly	31 March, 30 April or 31 May depending on the tax periods that you have been allocated.
monthly	31 March.

**Remember, you do not have to use this method.** If you consider that it is not suitable for your circumstances you can use any other formula, provided it produces a fair and reasonable result. See below.

## 33.6 Other methods of apportionment

These may include:

- keeping a record of the use made of an object (for example, a yacht or aircraft);
- keeping a record of the time spent by employees on business and non-business activities; and
- calculating within a building the extent to which the floor area is used for business and non-business purposes.

Whatever formula you use, the input tax is only reclaimed provisionally at the end of each tax period. At the end of each tax year you should make the adjustment as explained above.

When visiting you, VAT officers will check to ensure that the amount treated as input tax is fair and reasonable. If you have agreed a particular method with us but consider it is no longer suitable, you should write to your local VAT Business Centre giving details of your proposed new method.

## 33.7 Partial exemption

If you are partly exempt, you must work out how much VAT you can treat as input tax before you deal with any partial exemption calculations (see paragraph 13.1).

## 34. Standard legal abbreviations

A list of standard abbreviations for statutory references is set out below. The list also indicates those references which should begin in the upper case.

Full stops are used in law to indicate abbreviations. To help computer systems used by the trade, when you refer to the law you should normally leave out any full stops used to indicate abbreviations.

<b>Statutory reference</b>	<b>Singular</b>	<b>Plural</b>
Article (of EC directives)	art	arts
article (of UK Treasury order etc)	art	arts
chapter	c	cs
Customs and Excise Management Act 1979	CEMA	-
clause	cl	cls

Directive	Dir	Dir
EC Regulation	EC Reg	EC Regs
Finance Act, 1999	FA 1999	-
Finance Bill, 1999	FB 1999	-
Group	Gp	Gps
item	it	its
Note	Note	Notes
paragraph	para	paras
part	Pt	Pts
regulation	reg	regs
Schedule	Sch	Schs
section	s	ss
Statutory Instrument	SI	SIs
Value Added Tax Act, 1994	VATA 1994	-

## 35. Index

This index covers information available in our publications.

There is a full list of VAT publications in Notice 999 Catalogue of publications and on our website. The address is [www.hmce.gov.uk](http://www.hmce.gov.uk). You can obtain copies of notices from our National Advice Service.

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## Do you have any comments or suggestions?

If you have any comments or suggestions to make about this notice, please write to:

HM Revenue & Customs  
Co-ordination and Stakeholders Team  
3rd Floor  
LONDON  
SW1A 2BQ

Please note this address is not for general enquiries.

For your general enquiries please phone our Helpline 0845 010 9000.

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If you are not satisfied with our service, please let the person dealing with your affairs know what is wrong. We will work as quickly as possible to put things right and settle your complaint. If you are still unhappy, ask for your complaint to be referred to the Complaints Manager.

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