

What is the VAT Flat Rate Scheme?

The VAT Flat Rate Scheme is a way for small businesses to simplify their VAT affairs. Depending on the activities of a business, a flat VAT percentage will be applied to the VAT inclusive turnover to calculate the amount of VAT payable.

Once a business is registered for the Flat Rate Scheme, they are still required to charge VAT in the normal way and issue VAT invoices. However the completion of the VAT return should be simpler as the VAT payable is calculated using the relevant flat rate percentage.

VAT Flat Rate Scheme - things to consider:

Before you can register your business under the Flat Rate Scheme, you must ensure that it is eligible. The conditions for registration are broadly:

- Taxable turnover cannot exceed £150,000 per year (exc VAT) at the date of registration, and
- Total business income cannot exceed £187,500 per year (inc VAT) at the date of registration, and
- You have not been convicted of any VAT offence or evasion penalty in the last twenty four months.

There are advantages and disadvantages to joining the Flat Rate Scheme that also need to be considered, such as:

- A one percent discount offered to businesses in the first year following VAT registration.
- Businesses with very few inputs may be able to make substantial VAT savings.
- Under the scheme, tax suffered on inputs (purchases) cannot be reclaimed and therefore a business may pay more VAT, in some cases.
- The Flat Rate Scheme is simpler to administer.
- Business's are still required to produce valid VAT invoices.

How Can Wisteria Help?

Wisteria will be happy to review your VAT position and advise on whether cost savings can be made by moving to the VAT Flat Rate Scheme. In addition, Wisteria's team of specialists can provide on-going VAT advice so that you are always on top of those complex VAT issues.

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