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How can we help? The changes to VAT?

This leaflet is a practical response to the Pre-budget report of 24 October 2008 regarding the change to the standard rate of VAT from 17.5% to 15%. One of the key points to remember is that the change does not take effect until **1 December 2008** and that it is due to end and go back to 17.5% on **1 January 2010**.

On **1 December 2008**, you'll need to make some manual changes to your accounting software or bookkeeping systems. This leaflet gives you the method of dealing with this for manual or spreadsheet systems, for Quickbooks software and for Sage software.

Manual systems

If you have a manual or spreadsheet bookkeeping system or really want to know how to work out the correct VAT fractions ...

At 17.5% the VAT fraction works out as 7/47

At 15% the VAT fraction works out as 3/23

In Excel you might want to use the following calculation " $=\text{gross}/23*3$ " where gross is the name of the cell containing the total amount including VAT.

Remember to use the new fraction for both sales and purchases from 1 December 2008.

Please see attached pages for further information regarding the changes required:

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Cash Accounting scheme

Although the VAT does not become payable to the VATman until you receive the money from your customer, the amount of VAT is worked out based on the invoice and the invoice date! If your invoice is dated before 1 December then use the old rate even if you receive payment after 1 December.

More Information

You could always try your friendly accountant...or detailed guidance is available from HMRC, either from their web site (www.hmrc.gov.uk) or by telephoning the VAT helpline on 0845 010 9000.

If you are unsure of any of the points that we have raised please contact the office on 01234 752566 or at info@vowles.co.uk

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Flat Rate Scheme – New Percentage Rates

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

“Labour-only building or construction services” means building or construction services where the value of materials supplied is less than 10 per cent of relevant turnover from such services; any other building or construction services are “general building or construction services”.

VAT fuel scale charges for 3 month period

CO2 band	VAT fuel scale charge, 3 month period, £	VAT on 3 month charge, £	VAT exclusive 3 month charge, £
120 or less	138.00	18.00	120.00
125	207.00	27.00	180.00
130	207.00	27.00	180.00
135	207.00	27.00	180.00
140	221.00	28.83	192.17
145	234.00	30.52	203.48
150	248.00	32.35	215.65
155	262.00	34.17	227.83
160	276.00	36.00	240.00
165	290.00	37.83	252.17
170	303.00	39.52	263.48
175	317.00	41.35	275.65
180	331.00	43.17	287.83
185	345.00	45.00	300.00
190	359.00	46.83	312.17
195	373.00	48.65	324.35
200	386.00	50.35	335.65
205	400.00	52.17	347.83
210	414.00	54.00	360.00
215	428.00	55.83	372.17
220	442.00	57.65	384.35
225	455.00	59.35	395.65
230	469.00	61.17	407.83
235 or more	483.00	63.00	420.00

Quickbooks

Open your company data file, click on lists from the top menu bar to bring up the VAT codes dialogue box. To change your existing standard VAT code: select and click on the standard VAT code and amend the rate from 17.5% to 15%. Click on OK. Please note that if you change your existing standard code that you must do the amendment on 1 December 2008 and not before.

It may be advisable to create a new VAT code rather than amend the existing standard VAT codes, in which case follow these instructions.

In Quickbooks 2005, 2006 & 2008, click on VAT codes and then on New, this brings up the New VAT Code dialogue box. Give your new code a convenient name (ie SR) and a description (ie Standard 15%), tick the Taxable button, and select the appropriate VAT item for both purchases and sales (ie standard purchases or standard sales) and then click OK.

In Quickbooks 2002 & 2003, click on VAT codes and then on New, this brings up the New VAT Code dialogue box. Give your new code a convenient name (ie SR) and a description (ie Standard 15%), click on OK.

You have now created the new VAT code ready for use.

Remember to use the new code on all relevant transactions from 1 December 2008, although you can create the new code before then.

SAGE

Note: You should make this change on 1 December 2008 and not before!

Sage accounts V10 or versions after 2005 - Open the Settings menu, choose Configuration then click the Tax Codes tab.

In Sage Accounts v9 and below - Open the Settings menu then choose Tax Codes. The tax code information appears.

Select T1 then click Edit. Note: If you use a different tax code for your standard rate of VAT, select the relevant tax code then click Edit. The Edit Tax Code window appears.

Enter 15 in the Rate box then click OK. The Edit Tax Codes window closes.

To apply the change, and return to the Sage Accounts desktop, click Apply then click Close. Tip: If you are prompted to save your changes, click No. Sage Instant Accounts v14 - Click Save then click Close.

You have now changed the standard rate of VAT.

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