

Budget 2010



BN43

22 June 2010

VAT: CHANGE OF STANDARD RATE

Who is likely to be affected?

1. All VAT registered businesses.

General description of the measure

2. Legislation will be introduced in Finance Bill 2010 to increase the standard rate of VAT from 17.5 per cent to 20 per cent.

Operative date

3. The 20 per cent rate will have effect for any supply made on or after 4 January 2011 and any acquisition or importation taking place on or after that date.

Current law and proposed revisions

4. Section 2 of the VAT Act 1994 specifies the standard rate of VAT to be charged on the supply of goods or services, the acquisition of goods from another Member State and the importation of goods from outside Member States. This measure amends the standard rate to 20 per cent with effect from 4 January 2011.
5. Zero-rated supplies, such as basic foodstuffs, children's clothing and books; exempt supplies, such as education and health; and supplies subject to VAT at the 5 per cent reduced rate, such as domestic fuel and power, are not affected by this change.

Further advice

6. Detailed guidance for businesses on implementing this change has been published today on the HM Revenue & Customs website.
7. Anti-forestalling legislation and changes to the VAT flat rate scheme will also be introduced as a result of this measure – see BN44 and 45 respectively for further details of these changes. Changes to the Payment on Account regime thresholds will be made at a later date to maintain the status quo of the scheme.

8. If you have any questions about this change, please contact the VAT Helpline on 0845 010 9000. Information about Budget measures is available on the HM Revenue & Customs website at www.hmrc.gov.uk