



VAT – CHANGE IN THE STANDARD RATE:

A DETAILED GUIDE FOR VAT-REGISTERED BUSINESSES

24 November 2008

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1 INTRODUCTION

Reduction of the standard rate of VAT

In his Pre-Budget Report of 24 November 2008 the Chancellor announced that the standard rate of VAT will be reduced to 15%.

New standard rate from 1 December 2008

The new standard rate of VAT, 15%, comes into effect on 1 December 2008.

Effect on businesses – what you need to do

This change affects any VAT registered business that sells or purchases goods or services that are subject to the standard rate of VAT.

You should charge standard rate VAT at the new rate of 15% for any sales of standard rated goods or services that take place on or after 1 December 2008.

Other rates of VAT are not affected

This change in the standard rate of VAT does not affect sales of goods or services that are charged at another rate of VAT. These are:

- *Zero rated* – for example most foodstuffs, children's clothing or books,
- *Reduced rated* – for example children's car seats, domestic supplies of fuel and power, and
- *Exempt* – for example education, health and financial services.

Businesses that only supply goods or services at other rates

If your business only supplies goods or services that are subject to one of the other rates of VAT (above) you do not have to change the rate of VAT that you charge.

All businesses – input tax

The rate of VAT on goods and services that your business purchases will be lower and as a result, your claims to input tax will be affected.

If you make a mistake in applying the new standard rate of VAT

HMRC wants to encourage and assist businesses as they make the changes necessary to deal with the change in the standard rate.

If a business discovers that it has made material mistakes, it should correct them through the normal voluntary disclosure process.

HMRC will however be operating a 'light touch' in terms of errors made in the first VAT return after the change (where the error relates to a change of rate issue). This means that in planning our audit work we will not target change of rate errors that are unlikely to lead to any material net revenue loss. And if we find errors

which relate to a change of rate issue we will not seek an adjustment unless we have reason to suppose that there is an overall revenue loss.

In situations where HMRC do need to adjust (and issue an assessment) they will take into account the difficulties the business has faced in adjusting to the change in considering whether penalties apply. The light touch applies here as well.

Annex A sets out the guidance HMRC compliance staff have on what 'light touch' means.

Using this guide

The last change to the standard rate of VAT took place in 1991 and we are aware that many businesses will not have experienced such a change.

This guide tells you in practical terms how to deal with and apply the change to the new standard rate of VAT from 1st December 2008, based on common questions we think you might have.

The guide is divided into a number of sections. You do not have to read it all but should only refer to those parts that affect your particular business:

Section 2 provides an overview of how sales generally should be treated after the change and provides information that might be of use to all businesses.

Section 3 gives a brief guide to businesses on how to deal with sales where you have received a payment or issued an invoice before 1 December 2008 for goods that will be provided (or services delivered) on or after 1 December 2008.

Section 4 considers how retailers and other businesses that make mainly cash sales to non-business customers should deal with sales at the new rate.

Section 5 describes how VAT should be reclaimed on purchases

Section 6 explains what changes need to be made to accounting systems following the reduction in the standard rate.

Section 7 explains what you need to do when completing your VAT return after the change.

Section 8 provides further advice for businesses in the following special VAT accounting schemes:-

- **Agricultural Flat Rate Scheme**
- **Annual Accounting**
- **Cash Accounting**
- **Flat Rate Scheme**
- **Payment on Account Regime**
- **Tour Operators' Margin Scheme**

Section 9 provides additional guidance for the following types of business:-

- **Barristers and Advocates**
- **Clubs and Associations**
- **Construction services**
- **Solicitors**

Section 10 considers the VAT arrangements for the following type of sales:-

- **Coin operated machines**
- **Continuous supplies**
- **Hire purchase, conditional sale and credit sale**
- **Investment gold**
- **Property**
- **Royalties and similar payments**
- **Second hand sales - Margin scheme for second hand goods antiques, works of art and collectors items**
- **Self billing**
- **Goods in warehouse regimes (excise, customs or fiscal warehouses)**
- **International trade**

Section 11 provides contact details for HMRC should you need further advice

Annexes A-E give more detailed guidance on:-

- **HMRC's approach to errors - the 'light touch'**
- **Time of supply**
- **Rules for sales spanning the change of rate**
- **VAT payable on fuel scale charges following the change of rate**
- **The new percentage rates for the Flat Rate Scheme**

2 SALES

2.1 When do I have to start charging the 15% Rate?

You have to charge the 15% rate on sales of standard rated goods and services made on or after 1 December 2008. If you would like further more technical information about when a sale takes place for VAT purposes (tax points), please see Annex B.

2.2 Which of my sales are affected?

This depends on how you account for VAT: -

If you are a retail business making mainly cash sales to non business customers (e.g. a shop, restaurant, takeaway, hairdresser) and do not have to raise VAT invoices-

You must use the new rate for all takings you receive on or after 1 December 2008.....

.....**except** for where your customer pays for something they took away (or you delivered) **before 1 December** (e.g. where trade customers have an account with you).

In this case, your sale takes place before 1 December and you must use the old rate of 17.5%.

If you are a business that sells mainly to other VAT registered businesses and have to issue VAT invoices-

You must use the new rate for all VAT invoices you issue on or after 1 December 2008.....

.....**except** for where you provided goods or services **more than 14 days before you issue the VAT invoice**. For example, if you issue a VAT invoice on 1 December for goods or services provided before 18 November 2008, or you were paid **before 1 December (see note)**

In these cases, your sale takes place before 1 December and you must use the old rate of 17.5%.

Note if you received part payment before 1 December, use the old rate for the part payment.

There are special rules:-

- for businesses that make continuous supplies of goods and services – see paragraph 10.2.
- for transactions spanning the change of rate – see section 3.

2.3 What are tax points?

Sometimes reference is made in this guidance to the “tax point”. These are the rules in place, for VAT purposes, for determining when a sale takes place (also known as the ‘time of supply’). These rules will already be familiar to many businesses, but as they become particularly important when a rate changes, there is a simple summary at Annex B of how they will apply to you.

2.4 My prices are VAT inclusive. How do I calculate the new rate?

If you’ve charged a VAT inclusive price, you should use the VAT fraction to work out the VAT element. The VAT fraction for the 15% rate is 3/23.

For example,

If you sell something for...	And the VAT rate is....	Then the amount of VAT is.....
£115	15%	£15

But £15 is not 15% of £115, it is 3/23 of £115.

This is how the VAT fraction is worked out:

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

So, with VAT at 15%, the VAT fraction is:

$$\frac{15}{115} = \frac{3}{23}$$

2.5 How do I correct VAT charged at the wrong rate (Credit notes)?

If you charge the wrong rate of VAT on an invoice in error you will need to provide your customer with a credit note to correct the position. A credit note should contain the following details:

- the identifying number and date of issue of the credit note;
- your name, address and VAT 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.

Any credit note issued in accordance with the special rules for sales that span the change in rate (see section 3) must be issued within **45 days** after 1 December 2008.

2.6 How do I deal with deposits?

You should account for VAT on a deposit at the rate in force when you receive it. If you receive a deposit before 1 December 2008 for goods or services that you will supply after the rate change you have the option of applying the 15% rate of VAT (see section 3).

3 Special Rules for sales that span the change in rate

Under the normal rules, all payments received before 1 December 2008 and VAT invoices issued before 1 December 2008 for standard rated sales will be liable to the old rate of 17.5%.

However, there are optional change of rate rules that you may be interested in applying.

3.1 What are these rules?

These optional change of rate rules are for pre-payments and deposits received before a change of rate, but relating to goods or services to be provided after a change of rate. They also apply when VAT invoices are issued before a change of rate which relate to goods or services to be provided after a change of rate.

So, if you received a payment before 1 December 2008, or issued a VAT invoice before 1 December, for goods that you will provide, or services that you will carry out after 1 December 2008, you can, if you wish, apply the 15% rate. You will need to comply with some conditions, which include providing your customer with a credit note (see paragraph 2.5) in cases where you have previously issued a VAT invoice. See Annex C for further details.

Note: The special change of rate rules are **optional** – you do not have to apply them and you are unlikely to want to if your customer can recover all the VAT you charge them.

3.2 How do the rules work?

3.2.1 Goods provided after 1 December

I issued a VAT invoice to my customer before 1 December 2008 for a supply of goods (e.g. a bicycle) that I provide during December 2008. I have charged VAT at 17.5%. Can I now charge VAT on this supply at 15% instead?

Yes. Under the special rules (see paragraph 3.1) you may decide to charge the new standard rate of VAT. If you decide to use the special rule you must issue a credit note to your customer to adjust the amount of VAT charged on any original VAT invoice you issued. This will reduce the amount of VAT you are liable to account for on the sale. If your customer is VAT registered this will reduce the amount of VAT she can recover on the purchase. There is no requirement to issue a credit note if you had not previously issued an invoice.

3.2.2 Services performed after 1 December 2008

I issued a VAT invoice to my customer before 1 December 2008 for a supply of a service (e.g. dry cleaning a suit) that I provide during December 2008 and I have charged VAT at 17.5%. Can I now charge VAT on this supply at 15% instead?

Yes. The position here is the same as in the previous example

3.3 Supplies that are in progress on 1 December

3.3.1 Continuous supplies

Special rules apply if you make a continuous supply of goods or services (e.g. leasing photocopiers) and are currently applying the tax point rules at paragraphs 14.3 and 30.10 of the VAT Guide (Notice 700). In this case 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).

If you decide to do this, you should account for VAT at 17.5% on the value of the goods actually supplied or services actually performed before the change in rate, and at 15% on the value of the goods actually supplied or services actually performed after the change in rate. 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 2.5.

3.3.2 Single supplies carried out over a period of time

If you are making a single supply of a service which is nevertheless carried out over a period of time which spans the change in rate (e.g. the service provided by a solicitor in preparing a will) the whole supply can be charged at the new 15% rate. Any VAT already accounted for at 17.5% (e.g. on payments on account made before 1 December 2008) may be adjusted using the special change of rate rules described in paragraph 3.1.

<p>See section 9 for further information about the rules that must be followed for particular types of business and section 10 for particular types of sale.</p>
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4 Retail business making mainly cash sales to non-business customers (e.g. a shop, restaurant, takeaway, hairdresser)

For most retail sales it is a straightforward matter to decide when to apply the new rate – a customer enters the shop on or after 1 December 2008 and pays cash for a standard rated item which he takes away – VAT of 15% is due.

If you take deposits or make sales on credit, you will need to determine the correct tax point for sales to make sure you use the correct VAT rate. See paragraph 2.6 on deposits. See Paragraph 10.3 for credit sales.

4.1.1 Will I need to change my till and accounting system?

Many retailers have till systems which calculate VAT at the point of sale. If you use an electronic system to record retail sales you will need to make sure it is adjusted to take account of the new rate with effect from 1 December 2008. You may need to consult the manufacturer or supplier of your particular system to find out how to make the necessary adjustments.

Some retail systems will then post VAT to your main accounting records. But other systems will require you to apply the VAT fraction (see paragraph 2.4) to daily gross takings using one of the retail schemes.

There is guidance below on using a retail scheme.

4.1.2 How much do I need to reduce my prices by to take account of the reduction in VAT?

To reduce your VAT inclusive prices to reflect the reduction in the VAT rate to 15% you should multiply your old prices by $115/117.5$, which is equal to $46/47$.

4.1.3 Do I have to pass on the VAT reduction to my customers by reducing my prices?

The Government is making this change as part of a broader package of fiscal measures to give the economy a boost. Passing on the tax reduction through reduced prices will stimulate consumer spending and mean that both businesses and consumers benefit from this change. But ultimately decisions on prices charged by business and paid by consumers, are for them rather than the Government.

4.1.4 What about retail invoices?

There is no requirement to show VAT or the VAT rate on retail invoices supplied to unregistered customers. However, if you do provide information about the VAT rate and or the VAT charged on your invoices, you will need to change the rates

to avoid queries by your customers. If you issue a VAT invoice to registered customers on request, you will need to ensure it shows the correct VAT and VAT rate.

4.1.5 What if I use a retail scheme?

You calculate your daily gross takings in the normal way and apply the new VAT fraction (3/23) to sales on or after 1 December 2008.

From 1 December 2008 all references in retail scheme notices to the standard rate VAT fraction are to be read as a reference to 3/23 for periods to which the 15% rate applies. Retail scheme notices are Notice 727 *VAT Retail Schemes* and associated notices (727/2, 727/3, 727/4, 727/5).

4.1.6 What if the VAT rate change occurs part-way through one of my VAT periods?

You will have to make two calculations for that period, one with the appropriate fraction applied to receipts before the change and one with the new VAT fraction applied to receipts after the change. Section 7 of Notice 727 *VAT Retail Schemes* tells you more about this and the following paragraphs briefly tell you about the effect on each of the schemes.

4.1.7 I use the Point of Sale scheme – how will the change affect me?

You will have to make sure that any till technology you use to calculate VAT on your transactions is adjusted to reflect the new rate with effect from 1 December 2008.

If your till system does not calculate VAT at the point of sale, and the rate change occurs part-way through one of your VAT periods, then you will need to make two calculations for that period. You will have to make one calculation applying the VAT fraction of 7/47 to your daily gross takings figure from the start of the period up to and including 30 November; and another applying the new fraction of 3/23 to your daily gross takings from 1 December to the end of your period.

4.1.8 I use an Apportionment scheme – how will the change affect me?

If 1 December 2008 falls part way through one of your VAT periods, you will have to make two calculations for that period and add the resulting amounts together to give your VAT liability for the period.

You will also have to make two calculations when making your annual adjustment, one for the period from the start of the year up to and including 30 November; and one for the remainder of the year.

4.1.9 I use a Direct Calculation scheme – how will the change affect me?

When you reduce your prices to take account of the change in rate you will need to adjust your Expected Selling Prices (ESPs) accordingly.

If 1 December 2008 falls part way through one of your VAT periods, you will have to make two calculations for that period, and add the resulting amounts together to give your VAT liability for the period.

Your annual adjustment (if you are on Scheme 2) will also have to take account of any change in your ESPs.

4.1.10 I use a bespoke retail scheme agreement. How will the rate change affect me?

If your scheme contains detailed provisions about the action to be taken when there is a rate change you must follow what it says. If it does not cover this, the general rule is that bespoke schemes are about valuing supplies at different rates and their terms should not be read as implying authority to account for VAT at the wrong rate. The general provisions on change of rate will apply to retailers using bespoke schemes as they apply to other VAT businesses.

4.1.11 What about refunds?

If you give a refund on or after 1 December 2008 for a sale you made before 1 December, you will have to adjust your daily gross takings to take account of the VAT originally charged at 17.5% by using the VAT fraction of 7/47.

5 PURCHASES

A VAT registered business can claim back the VAT it incurs on standard rated purchases – subject to the normal rules on deducting VAT including any restrictions for purchases used to make exempt supplies. This is normally the VAT that is shown on the purchase invoice. However, following the introduction of the new standard rate of VAT businesses will be receiving invoices showing VAT at the previous rate of 17.5% as well as the new rate of 15%. This section explains what businesses are entitled to recover on their VAT returns.

5.1 What VAT can I claim back on my purchases?

5.1.1 Invoices received at the new VAT rate

I have received a VAT invoice for goods purchased for resale by my business on 1 December. I have been charged 15% VAT. Can I claim it back?

Yes, provided that you could have claimed it back when the rate was 17.5%.

5.1.2 Invoices received at previous VAT rate

I received a VAT invoice from my supplier in November 2008 for a supply of goods he is making in December 2008 and the invoice shows VAT charged at 17.5%. Shouldn't the VAT amount be 15% on this invoice?

Following the change in the VAT rate it is permitted for a supplier to use the special rules to amend the rate of VAT charged where the actual supply takes place on or after 1 December 2008. But he is not obliged to do so and he may opt to leave the VAT charged on the November 2008 invoice at 17.5%.

I received a VAT invoice from my supplier dated 1 December 2008 for goods delivered on the same day. The invoice shows VAT of 17.5%. How much can I reclaim?

You should only treat as input tax the amount you should have been charged. If your supplier incorrectly charges you 17.5% on or after 1 December 2008, treat 15% of the tax exclusive (net) charge as input tax. You may ask your supplier to provide you with a credit note for the over charged VAT.

5.1.3 Less detailed VAT invoices and the VAT fraction

I purchase goods (e.g. petrol) from retail suppliers and receive less detailed VAT invoices for these supplies, which show the VAT inclusive values of the supplies. How do I calculate the VAT I can claim back?

Less detailed VAT invoices show a VAT inclusive value, and the VAT rate applicable, but they do not show the VAT amount separately. To calculate the

standard rated VAT element included in this value you must use the new VAT fraction of 3/23. See paragraph 2.4.

What if the less detailed invoice shows the VAT rate as 17.5% on goods I purchased after the rate change?

You can only treat as input tax the amount you should have been charged. You will need to apply the new VAT fraction of 3/23 to calculate the VAT you can claim.

What if my VAT return covers the change of rate and some less detailed invoices are at the old rate?

You will need to identify those less detailed invoices that were issued with a tax point date up to 30 November 2008 and use the VAT fraction for 17.5%, which is 7/47ths. For the less detailed VAT invoices with a tax point date on or after 1 December 2008 you need to use the VAT fraction for the new standard rate of 15%, which is 3/23.

5.1.4 Invoices with VAT schedules

I have a VAT invoice that includes an annual schedule of monthly charges including VAT relating to a standard rated supply. Do I recover VAT based on the schedule even though the rate is wrong from 1 December 2008?

Amounts shown on the invoice schedule for periods after 1 December cannot be reclaimed as input tax. Your supplier will need to provide an amended invoice schedule for those periods.

5.1.5 Imported services

I receive imported services that are subject to the reverse charge provisions. What rate of VAT do I use?

If you receive services from abroad that are subject to the reverse charge, the tax point (see paragraph 2.3) is the date you pay for the services. You can use the special change of rate rules in cases where you have paid before 1 December 2008 for single supplies of services completed after, or for continuous supplies that span, that date. For single supplies the VAT can be recalculated at 15% on the full amount and for continuous supplies on the part of the payment that covers the services supplied on or after 1 December (see section 3).

6 WHAT CHANGES DO I NEED TO MAKE TO MY INVOICING AND ACCOUNTING SYSTEMS?

The changes you need to make to your invoicing and accounting systems will depend on what system you currently operate.

6.1 Manual Records

For businesses with very simple manual records only very minor changes may be required. The key issue will be ensuring you enter the correct rate of VAT in your sales and purchase books to record VAT at both the old and new standard rates for at least the first return after the change.

For businesses that rely on more complex electronic accounting systems (including both in-house and off the shelf software) the changes are likely to be more involved.

6.2 Computer systems

I use accounting software to maintain my VAT records, including issuing VAT invoices and posting invoices for expenses and goods and services I buy. Can I continue to use the package following the change in VAT rate, and are there any changes I will need to make?

Yes, you can continue to use accounting software. However, you will need to check that your accounting software can process VAT invoices during the transitional period, when you may be issuing and receiving VAT invoices showing either the 17.5% and 15% VAT rates. You need to ensure that for standard rated supplies of goods or services made or received on or after 1 December 2008 the VAT rate being used and shown on the invoices is 15%.

6.2.1 What if I can't change my systems in time for the rate change on 1 December 2008?

HMRC recognises that the timescale for making changes is tight. If you can't make full and final changes to your accounting and billing systems in time that is not necessarily a significant problem – you may be able to make some temporary arrangements or manual adjustments so that you can account for the correct amount of VAT in your first VAT return after the change.

For retailers, the takings you receive from 1 December 2008 onwards will be liable to VAT at 15%. If your systems (including tills) have not been amended to account for 15% (rather than 17.5%) by 1 December, you will need to calculate the VAT manually on your standard-rated takings using the VAT fraction of 3/23.

For businesses issuing VAT invoices, you will need to ensure that you are charging VAT of 15% rather than 17.5% on the invoices you raise for sales made on or after 1 December 2008. For businesses issuing manual invoices this should be straightforward. For those issuing invoices automatically from an accounting system you will need to explore how you change the VAT field from 17.5% to 15%. You may be able to do this yourself or you may need to contact your software provider for assistance. Most software packages should have the in-built capability to deal with changes in rate.

6.2.2 What if I charge my customer the wrong rate of VAT on an invoice?

If you continue to charge 17.5% VAT on invoices raised on or after 1 December, you will need to account to HMRC for that amount. But if you discover that you have charged the wrong rate you can issue your customer with a credit note (see paragraph 2.5), reducing the amount of VAT charged. Once you have issued your customer with the credit note correcting the VAT position you can then reduce the amount of VAT you need to pay over to HMRC.

6.2.3 How do I deal with returned goods – sold before rate change, returned afterwards?

I supplied goods and invoiced my customer in November 2008, charging 17.5% VAT. In early December 2008 it was agreed with the customer that some of the goods should be returned and a credit note issued to my customer for these returned goods. Should I show VAT at 15% or 17.5% on the credit note?

The rate of VAT to be used for credit notes or debit notes is the one which was in force at the time of the original supply. Your supply was in November 2008 and you charged 17.5%, so the credit note must show VAT at 17.5%.

7 HOW DO I COMPLETE MY VAT ACCOUNT / VAT RETURN?

If your VAT return period spans 1 December 2008 you will need to be able to account for standard rated sales and purchases at both the new rate of 15% and the previous rate of 17.5%. This section takes you through some of the most common situations.

I am on quarterly VAT returns and my next VAT return includes days before and days after the rate change. How can I be sure that the VAT amounts I include in my VAT account and my VAT return are correct?

The change to the VAT rate should not change the way that you prepare the VAT account and complete your VAT return. If you calculate your VAT from sales invoices, then the key is to get the new rate on those invoices for supplies made on or after 1 December 2008. If you use a retail scheme (see section 4) or one of the other accounting schemes (see section 8.), there may be additional steps you need to take.

I have issued an invoice after 1 December 2008 and I have charged my customer VAT at 17.5%. The customer has paid the invoice in full. Do I have to record the VAT amount in my records at 17.5%?

If the amount of VAT shown on a VAT invoice you have issued is higher than the amount properly due, then you must account for the higher amount in your records. You can of course correct the error with your customer by issuing your customer with a credit note (see paragraph 2.5) and adjusting the charge in your VAT account.

7.1 Fuel Scale Charges

VAT registered businesses that reclaim VAT on road fuel are required to account for VAT to reflect the private use of business vehicles. There is no change to the fuel scale charges which have applied since 1 May 2008 but the VAT on these charges will have to take account of the new rate of 15% from 1 December 2008. The new amounts applicable from 1 December 2008 are shown in the tables at Annex D.

7.2 Partial exemption – de minimis

If you make a mixture of exempt and taxable supplies you are required to restrict the amount of input tax you may reclaim unless the amount of restricted VAT is £625 or less per month on average and less than half of your total input VAT. The £625 limit is unaffected by the change to the standard rate.

8 SPECIAL VAT ACCOUNTING SCHEMES

This section looks at how businesses operating the following VAT accounting schemes should deal with the reduction in the standard rate.

Agricultural flat rate scheme
Annual Accounting
Cash Accounting
Flat Rate Scheme
Payment on Account Regime
Tour Operators' Margin Scheme

8.1 Agricultural flat rate scheme

I am on the Agricultural Flat Rate Scheme. Will the change affect me?

No. Although the change will result in you paying less VAT on your standard rated purchases, you will continue to be able to charge a 4% Flat Rate Scheme addition on your sales of relevant goods to VAT registered businesses.
(VAT Notice 700/46)

8.2 Annual accounting scheme

Will HMRC change my instalments?

No. The precise effect of the rate change will vary from business to business and HMRC will not be changing the instalments already notified.

What if I think my instalments are too high?

If you disagree with the amount of your interim payments, or you expect your VAT liability to increase or decrease significantly over the course of the year you should contact the Annual Accounting Registration Unit and explain how you have calculated your interim instalments. If we agree with your calculations we will write and inform you of the revised instalments. The address to contact is:

Annual Accounting Registration Unit
Imperial House
77 Victoria Street
Grimsby
Lincolnshire
DN31 1DB

(VAT Notice 732)

8.3 Cash accounting scheme

How does the change of rate affect my cash accounting?

You must remember that the scheme allows you to account for your VAT liability when you receive payment. It does not affect the tax point. The tax point is the time that the sale is made under the law and it determines the rate of tax applicable. Annex B tells you more about tax points.

This means that VAT will be due at 17.5% on supplies you made before the rate change, even if you receive payment after the change. When you receive payments in the months after the rate change, you will need to identify those payments which relate to supplies before the rate change and on which VAT is still due at the previous 17.5% rate.

How do I separate payments for supplies at the old and new rate?

This process is similar to when you first joined the scheme and requires you to be able to trace the invoice (or at least the rate charged) for any receipt. The purpose of this is to make sure you don't pay too much or too little VAT and it may be helpful to refer to section 3.1 of Public Notice 731 *Cash accounting*, which covers the situation where a business begins using the scheme.

(VAT Notice 731)

8.4 Flat rate scheme

Will the rate change affect my flat rate percentage?

Yes. The table of flat rates has been changed to reflect the new rate of VAT. The new table is set out in Annex E. You should make sure you use the new rate for your sector from 1 December 2008.

My flat rate has not been reduced. Why not?

The flat rate percentages are calculated by reference to the VAT actually paid in each sector and, following the change to the standard rate of VAT, most sectors will find that their flat rates are reduced. However, there are a small number of sectors that, with VAT at 17.5%, would have needed an increase in order to reflect the correct underlying rate for that sector. Following the rate change to 15%, those sectors have been left unchanged rather than increased.

I want to leave the scheme because of these changes. What should I do?

Usually, we would expect you to leave the scheme at the end of an accounting period. You can leave the scheme at any time, but this might mean you having to perform different calculations to determine your VAT liability. If you do wish to leave the scheme, you must write and tell us. We will confirm the date you left the scheme in writing.

I use the cash based turnover method. I have received payment for a supply made prior to the change of flat rates. Which flat rate should I use?

Remember that the cash based turnover method allows you to account for your VAT liability when you receive payment. It does not affect the tax point. Supplies made before the rate change remain taxable at 17.5%, even where payment is received after the change.

To determine your VAT liability for a particular transaction, you will first need to identify and separate all payments made and received so that you can identify the appropriate rate of VAT. You must then apply the flat rate percentage that was in place at the time of supply and not the rate that is in place when payment is received. You will probably need to refer back to the original invoices.

(VAT Notice 733)

8.5 Payment on Account regime

Will the change affect my payments on account?

No. However, if in the next 12 months you expect your future VAT liability to decrease by 20% or more, then you can write to the POA team (address below) and request to have your payments on account reduced.

POA team
3rd Floor SE
Queens Dock
Liverpool
L74 4AA

Remember that if your annual VAT liability over a 12 month period is less than £1.6 million you may leave the regime by writing to us at the address above. You can only leave the scheme on the basis of past VAT payments, not on the basis of anticipated future payments.

(VAT Notice 700/60)

8.6 Tour Operators' Margin Scheme

You must use one of the two methods detailed below to work out the tax point for your margin scheme supplies **and** any in-house supplies sold within a margin scheme package.

You cannot change from one tax point method to another without written permission from your local VAT Office. A change of method will be allowed only in exceptional circumstances, and will not normally be allowed mid-way through a financial year.

Method The tax point is...

One the date of departure of the traveller; or
the first date on which the traveller occupies any accommodation;
whichever happens first.

Two The same as method one; or
the date of receipt of payment of a certain size;
whichever happens first (the date of receipt of money includes receipt by a travel agent on your behalf).

What else should I consider?

If you receive a single payment that covers the whole of your selling price in respect of a particular supply or package there is a single tax point when you receive payment.

If you receive more than one payment, you may have more than one tax point. Each time you receive a payment **exceeding 20%** of the selling price a tax point for that amount is created. A tax point is also created each time the payments you have received to date (and not already accounted for) exceed 20% when added together.

Any amount left outstanding at the time of departure or accommodation must be accounted for on that date.

Example (to show how Method Two works):

A traveller books a package holiday for a total selling price of £1,200.

I have received....

Has a tax point been created?

a deposit of £120 on booking, 3 months before departure.

No – payment is less than 20% of the selling price.

a further £200, 2 months before departure.

Yes – the total received (£320) amounts to more than 20% of the selling price.

a further £600 1 month before departure.

Yes – the total received is more than 20% of the selling price.

the traveller departs and pays the balance on return.

Yes – the tax point for the balance remaining £280 is created on the date of departure.

9 PARTICULAR TYPES OF BUSINESS

This section takes you through some of the VAT accounting rules that apply to certain types of business.

Barristers and Advocates
Clubs and Associations
Construction services
Solicitors

9.1 Barristers and Advocates

If you are a barrister or advocate and you follow the arrangements under which fee notes do not become VAT invoices until they are receipted, then the tax point for your fees is normally the date you receive payment. Fees received on or after 1 December will be liable to VAT at 15%. If you have received fees before 1 December for cases that will not be completed until after that date you can recalculate VAT at 15%, but may need to issue a credit note to your instructing solicitor. See paragraph 2.5.

9.2 Clubs and Associations

The tax point for your membership subscriptions is normally at the start of membership year when a VAT invoice is issued or the subscription is received, whichever happens first. Where 1 December falls part way through the membership year you can recalculate the VAT on the proportion of the subscription covering membership period from 1 December 2008 at 15%. To do this you may need to issue credit notes to members (see paragraph 2.5).

9.3 Construction services

If you make supplies (including design, advisory and supervisory services) under a construction contract which involves your customer making stage payments, the tax point is normally the time you issue a VAT invoice; or receive a payment, whichever happens first. However, if your customer makes only a single payment (excluding any agreed retention), perhaps when the work has been completed or is nearing completion, your supply is liable to the normal tax point rules described in Annex B – including a final (basic) point when the work is completed.

If you are carrying out work under a stage payment contract on 1 December any VAT invoices you issue or payments you receive on, or after, that date will be liable to VAT at 15%. Similarly tax points that occur on or after 1 December for construction services that are covered by the normal rules will be liable at the new rate. In both cases this applies even if some of the work was actually performed before 1 December.

The special change of rate rules might apply in the following circumstances

(i) *Stage payment contracts*

If, before 1 December, you have issued a VAT invoice or received a payment which covers work performed on or after 1 December you can apportion the amount involved (based on measurable work or normal costing or pricing structures) and recalculate the VAT at 15% on the work performed on or after 1 December.

(ii) *Other (single payment) construction contracts*

You may perhaps, in the case of construction work completed on or after 1 December, have issued a VAT invoice or received payment for the work, when the VAT rate was still 17.5%. Provided the work was completed on or after 1 December you can recalculate the VAT on the full contract price using the 15% rate in force when the work was completed.

In both cases you may need to issue a credit note to your customer (see paragraph 2.5).

9.4 Solicitors

If you are a solicitor most of your supplies are covered by the normal tax point rules including a tax point on completion of the work. Where, before 1 December, you have issued a VAT invoice or received a payment for work that will not be completed until on or after 1 December, you can recalculate VAT at 15%, but may need to issue a credit note to your client (see paragraph 2.5).

If you receive Standard Monthly Payments (SMPs) from the Legal services Commission for legal aid work, the VAT treatment under the agreed procedures depends on the extent to which each payment relates to completed cases. The special change of rate rules can be applied to SMPs that created tax points before the 1 December (that is where they were attributed to uncompleted cases or work that had not commenced) provided the cases to which they are eventually allocated will be completed on or after 1 December. Where this applies you can recalculate any VAT at 15%.

10 PARTICULAR TYPES OF SALES

Coin operated machines

Continuous supplies of services

Hire purchase, conditional sale and credit sale

Investment gold

Property

Royalties and similar payments

Second hand sales - Margin scheme for second hand goods antiques, works of art and collectors items

Self billing

Goods in warehouse regimes (excise, customs or fiscal warehouses)

International trade

10.1 Coin operated machines

Special arrangements apply to supplies made through coin operated machines, such as vending, amusement and gaming machines. This means that normally you can delay accounting for VAT until the takings are removed from the machine.

However, at the time of a change in VAT rate you are required to revert to the normal rules and account for VAT based on the date the machine is used. If the machine does not record this information you will need to apportion any takings covering 1 December 2008 based on typical usage. You can then apply the 15% VAT rate to the sales from 1 December.

10.2 Continuous supplies of 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.

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 replacement VAT invoices for the payments due after the change, showing tax chargeable at the new rate. Replacement VAT invoices issued in these circumstances must refer to and cancel that part of the original VAT invoice which has been superseded.

The same procedures apply to continuous supplies of goods. These are largely restricted to supplies of water, gas and electricity which are not always subject to the standard rate of VAT.

10.2.1 Using the special provisions

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 services 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 2.5.

10.3 Hire-purchase, conditional sale and credit sale

If you supply goods covered by one of these types of agreement there is a single supply of goods and so the tax point is normally the date when the :

- goods are handed over, or
- a VAT invoice (which might form part of the agreement) is issued either beforehand or within 14 days of the goods being handed over.

If you issued a VAT invoice before 1 December (when the VAT rate was 17.5%) for goods to be handed over after that date, you can recalculate the VAT at 15% provided you issue a credit note to your customer (see paragraph 2.5).

10.4 Investment Gold

The tax point for supplies covered by the special accounting scheme for gold is the date the gold is provided to the customer. Because no other tax points arise, the special change of rate rules do not apply.

10.5 Property

10.5.1 Leasehold

The tax point for standard rated property rentals is the date you issue a VAT invoice or receive payment, whichever happens first. The special change of rate rules will apply in cases where rentals are invoiced or paid in advance. So if you have issued a VAT invoice or received payments before 1 December 2008 for rental periods that span 1 December, you can apportion the rent involved and recalculate VAT at 15% on the part that applies to the period from 1 December. You may need to issue a credit note to your customer (see paragraph 2.5).

10.5.2 Freehold

The basic tax point for a freehold sale is the date of the completion of the conveyance. An earlier tax point is created where (for a standard rated supply) a VAT invoice is issued beforehand or you receive all, or part of, the purchase price before completion. You can use the special change of rate rules in cases where you have issued a VAT invoice, or received a payment, before 1 December for property on which completion does not take place until after that date. You can recalculate VAT at 15% on the amount invoiced or paid, but you may need to issue a credit note to the buyer (see paragraph 2.5).

10.6 Royalties and similar payments

If 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, **whichever happens first**.

10.7 Second hand sales - Margin scheme for second hand goods antiques, works of art and collectors items –

How does the change of VAT rate affect my margin scheme sales?

The same rules apply as for normal sales. Sales taking place on or after 1 December 2008 are liable at the new rate. Because you won't be showing VAT on margin scheme invoices, you don't have to make any changes to the invoices you issue to customers. However, you will need to make sure that when you apply the VAT fraction to your margin schemes sales, you apply the new VAT

fraction (3/23) for sales on or after 1 December 2008 when you come to calculate the VAT due on your next VAT return.
(VAT Notice 718)

10.8 Self billing

I receive self billed invoices from my customers. How will the change in the standard rate of VAT from 1 December 2008 affect this self billing arrangement and is there anything I need to do?

The change in the standard rate does not change the rules of self billing. From 1 December 2008 most self billed invoices you receive from your customers will show VAT at 15%. However, you will need to check that the correct VAT rate has been shown and used to calculate the VAT on the self billed invoice, as this amount is the output tax that is due from you on the supply.

What if the self biller has charged the wrong rate?

If the incorrect rate of 17.5% has been used you will need to notify the customer who issued the self billed invoice to you, as they will need to issue a debit note for the self billed invoice and issue an amended self billed invoice to you showing the correct VAT rate and calculation.

10.9 Goods in warehouse regimes (excise, customs or fiscal warehouses)

VAT becomes due when goods are removed from a warehouse to free circulation. Depending on the circumstances, the VAT may arise from an importation, an acquisition or the last supply of the goods in warehouse. The rate of VAT chargeable is that in force at the time the goods are removed from warehouse.

10.10 International trade

10.10.1 Imports

How does the change of rate affect my imports from third countries?

For import VAT purposes goods are generally treated as imported when they arrive in the UK and are entered to free circulation. This can be either by direct import (from a place outside the customs territory of the EC) or indirect import (removal to the UK via another Member State within the EC).

10.10.2 Exports

How does the change of rate affect my exports to third countries?

There should be little effect because provided you meet the conditions for export your sales are zero rated. If you fail to obtain the evidence for export and have to bring VAT to account on your sale, you should do so at the rate in force when the export took place. The detailed rules on time of export are in Notice 703 Export of Goods from the United Kingdom. See paragraph 2.13.

10.10.3 Acquisitions

I acquire goods for my business from other member states of the EU. How should I account for the new rate of VAT?

If you are required to account for acquisition VAT where you acquire goods from other EC Member States, the tax point is the 15th day of the month following the one in which the goods were sent to you, or the date your supplier issued their invoice to you. Acquisitions taking place on this basis after 1 December 2008 will therefore be subject to VAT at 15%.

However, if your supplier issued an invoice to you before 1 December 2008 for goods that were not sent to you until after that date, you can recalculate VAT previously accounted for at 17.5% using the new rate of 15%. However, this will probably only be necessary if you were unable to recover the full amount of VAT already accounted for as input tax.

10.10.4 Dispatches

There should be little effect because provided you meet the conditions your sales will be zero rated. If you fail to meet the conditions and have to bring VAT to account on your sale, you should do so at the rate in force when the dispatch took place. The detailed rules on time of dispatch are in Notice 725 The Single Market. See paragraph 3.4.

11 Who can I contact for further information?

If you have a query for which you have been unable to find the answer within this guidance please contact our National Advice Service on Tel 0845 010 9000 (Tel 0044 2920 501 261 for International Enquiries).

The National Advice Service is available from 8.00 am to 8.00 pm, Monday to Friday (GMT).

If you have hearing difficulties, please ring the Textphone service on Tel 0845 000 0200.

12 Annex A The Light Touch – Guidance for HMRC Staff

What if businesses make mistakes implementing the change of rate (light touch)?

- HMRC wants to encourage and assist businesses as they make the changes necessary to deal with the change in the standard rate.
- If a business discovers that it has made material mistakes, it should correct them through the normal voluntary disclosure process.
- HMRC will however be operating a 'light touch' in terms of errors made in the first VAT return after the change (where the error relates to a change of rate issue). This means that in our audit plans we will not target change of rate errors that are unlikely to lead to any material net revenue loss. And if we find errors which relate to a change of rate issue we will not seek an adjustment unless we have reason to suppose that there is an overall revenue loss.
- For example, consider a fully taxable business which supplies standard-rated goods to a fully taxable customer and incorrectly charges 17.5% rather than 15%. As the detailed guidance makes clear, the customer should treat only 15% of the tax exclusive (net) price as input tax. However, if the supplier has accounted for the full 17.5% there will be no overall loss of tax if the customer treats the full 17.5% as input tax. When auditing the purchaser, HMRC will assume that the supplier has followed the accounting documents unless there is good reason to suppose otherwise.
- By contrast, consider a cash accounting business which makes a supply before the change in rate at 17.5% but gets paid after. Assuming that the customer has correctly paid and recovered 17.5% VAT, if the supplier only accounts for VAT at 15%, as the rate in place at the time of payment, there

will have been an overall revenue loss. In this case, the supplier should have accounted for VAT at 17.5%, and if this error is discovered on auditing the supplier, HMRC will seek to adjust (issue an assessment) in the normal way.

- In situations where HMRC do need to adjust (and issue an assessment) we will take into account the difficulties the business has faced in adjusting to the change in considering whether penalties apply. The light touch applies here as well.

13 Annex B - Further Guidance on time of supply

13.1 How do I decide when a supply takes place?

To work out when a supply takes place you need to use what are known as the time of supply or tax point rules. They are what you use to decide when to account for the supply on your VAT return. So they are even more important on occasions such as this when the VAT rate changes..

13.2 The tax point normal rules

The following tables describe how **basic** and **actual** tax points work for many people.

13.2.1 Basic tax points

If you supply...

Then the basic tax point is...

goods

usually 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 **but** they are not to be sent or taken away (for example because you put them together on your customer's premises)

the date you make them available for your customer to use.

services

the date when the service is performed (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

13.2.2 Actual tax points

If you...	Then the...
(a) either issue a VAT invoice or receive a payment before the basic tax point	tax point for the amount you invoice or receive is the date you issue the invoice or receive the payment, whichever happens first.
(b) issue a VAT invoice up to 14 days* after the basic tax point	date when you issue the invoice becomes the tax point.
(*or a longer period where this has been allowed by HMRC)	But remember that if you have already issued a VAT invoice (for a part payment) or received a payment before the basic tax point, this will have created a tax point under (a) for the amount invoiced or received.

13.2.3 Other tax point rules

Some categories of supply or supplier have different tax point rules. In most cases this means that a tax point is only created when you issue a VAT invoice or receive a payment, whichever is the earlier. This most commonly applies to:

- continuous supplies of services;
- supplies of water (but not bottled water) and mains supplies of gas and electricity;
- construction services where you receive stage payments;
- royalties;
- the letting of property on short or long term leases, and
- services provided by barristers and advocates.

13.3 Applying these tax point rules on 1 December 2008

Where a tax point occurs before 1 December 2008 the supply (or the part of it covered by the tax point) will remain liable to VAT at 17.5%. Tax points occurring on or after 1 December 2008 will be liable to VAT at 15%.

In many cases a supply will have a single tax point – for example, if you are a retailer, and a customer enters your shop and pays cash for an item which they take away with them. The tax point occurs when the goods are handed over/paid for. So where this happens before 1 December 2008 the supply is liable to VAT at 17.5%. On or after 1 December 2008 the supply will be liable at 15%.

In other situations there can be two or more tax points. For example, you may receive a deposit for goods to be delivered later. This makes the position less straightforward. Here, a deposit received before 1 December 2008 will be liable to VAT at 17.5%. However, if the goods are not delivered (and the balance of the price is not invoiced or paid for) until on or after 1 December 2008, the 15% rate will apply when it comes to accounting for the remaining VAT that is due. However, you will need to consider the special change of rate rules which are described in the next section.

Another example is where you are making continuous supplies of services. In that case the tax point occurs whenever you issue a VAT invoice or receive a payment, whichever is the earlier. For example, you are leasing some equipment for which you issue VAT invoices at the beginning of each quarterly rental period.

Assuming your quarters do not coincide with 1 December, it means that one will include rental for the period up to 1 December 2008 (when the VAT rate is 17.5%) and for the remainder of the quarter (when the VAT rate will have changed to 15%). However, because you issued a VAT invoice before 1 December 2008 and, as a result, created a tax point, it means that, under the normal tax point rules, VAT is due at 17.5% for the whole quarter. But again you will need to consider the special change of rate rules described in the next section.

14 Annex C - Special rules that may apply at 1 December 2008 to supplies of goods and services that span the rate change

As explained in the previous section a supply might span the decrease in VAT rate. This can be due to the arrangements under which the supply is invoiced or paid for, or because a supply (normally of services) is in progress on 1 December 2008.

There are special rules that you can opt to apply where this happens. Whether you choose to do so might depend on various factors, but they are unlikely to be necessary for supplies to customers registered for VAT and able to fully recover the VAT you charge them. For this reason you can apply the rules selectively. Also, you can adopt them without notifying us.

For this decrease in VAT rate the main benefit of the special rules is to allow you in certain circumstances to adjust any VAT accounted for at 17.5% before 1 December 2008. This can be illustrated by the following examples based on the situations mentioned in the previous section.

(i) A supply of goods where the customer pays a deposit when the order is placed

- On 1 November 2008 you received an order for a supply of furniture not currently in stock.
- The customer pays a 10% deposit at that time which included VAT at 17.5%.
- There is a six week delivery period but, in the meantime, on 1 December 2008, the rate of VAT is reduced to 15%.
- The goods are eventually delivered on 15 December.

A tax point occurred on 1 November when you were required to charge the customer VAT at 17.5%. But because the goods will not be delivered until after the decrease to 15%, you can adjust the amount of VAT previously accounted for by recalculating it at 15%. If you have already issued a VAT invoice showing the old rate of tax, you will need to correct it by issuing a credit note (see paragraph 2.5).

(ii) Continuous supply of services spanning 1 December

- You are leasing computer equipment and issue VAT invoices at the start of each rental quarter.
- On 1 October 2008 you issued the invoice for the quarter ending 31 December 2008 on which you charged VAT at 17.5%.
- On 1 December the VAT rate decreased to 15%.

The tax point was 1 October and so you have accounted for VAT at 17.5% on the whole of the quarter. However, this includes a month during which the VAT rate

has changed to 15%. So under the special rules you can opt to adjust the VAT for this month by recalculating the proportion of the charge covering December at 15%. To do this you will need to issue a credit note (see paragraph 2.5).

15 Annex D - Fuel Scale Charges

15.1 VAT fuel scale charges for 12 month period

CO2 band	VAT fuel scale charge, 12 month period, £	VAT on 12 month charge, £	VAT exclusive 12 month charge, £
120 or less	555.00	72.39	482.61
125	830.00	108.26	721.74
130	830.00	108.26	721.74
135	830.00	108.26	721.74
140	885.00	115.43	769.57
145	940.00	122.61	817.39
150	995.00	129.78	865.22
155	1,050.00	136.96	913.04
160	1,105.00	144.13	960.87
165	1,160.00	151.30	1,008.70
170	1,215.00	158.48	1,056.52
175	1,270.00	165.65	1,104.35
180	1,325.00	172.83	1,152.17
185	1,380.00	180.00	1,200.00
190	1,435.00	187.17	1,247.83
195	1,490.00	194.35	1,295.65
200	1,545.00	201.52	1,343.48
205	1,605.00	209.35	1,395.65
210	1,660.00	216.52	1,443.48
215	1,715.00	223.70	1,491.30
220	1,770.00	230.87	1,539.13
225	1,825.00	238.04	1,586.96
230	1,880.00	245.22	1,634.78
235 or more	1,935.00	252.39	1,682.61

15.2 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

15.3 VAT fuel scale charges for 1 month periods

CO2 band	VAT fuel scale charge, 1 month period, £	VAT on 1 month charge, £	VAT exclusive 1 month charge, £
120 or less	46.00	6.00	40.00
125	69.00	9.00	60.00
130	69.00	9.00	60.00
135	69.00	9.00	60.00
140	73.00	9.52	63.48
145	78.00	10.17	67.83
150	82.00	10.70	71.30
155	87.00	11.35	75.65
160	92.00	12.00	80.00
165	96.00	12.52	83.48
170	101.00	13.17	87.83
175	105.00	13.70	91.30
180	110.00	14.35	95.65
185	115.00	15.00	100.00
190	119.00	15.52	103.48
195	124.00	16.17	107.83
200	128.00	16.70	111.30
205	133.00	17.35	115.65
210	138.00	18.00	120.00
215	142.00	18.52	123.48
220	147.00	19.17	127.83
225	151.00	19.70	131.30
230	156.00	20.35	135.65
235 or more	161.00	21.00	140.00

16 Annex E - Flat Rate Scheme – New Percentage Rates

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

Category of business	Appropriate percentage
Retailing pharmaceuticals, medical goods, cosmetics or toiletries	6
Retailing that is not listed elsewhere	5.5
Retailing vehicles or fuel	5.5
Secretarial services	9.5
Social work	8
Sport or recreation	6
Transport or storage, including couriers, freight, removals and taxis	8
Travel agency	8
Veterinary medicine	8
Wholesaling agricultural products	5.5
Wholesaling food	5
Wholesaling that is not listed elsewhere	6

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