

## Marshall Roche

### PROFITING FROM VAT...

For most small businesses, VAT is effectively an expense. If they are not registered, they cannot reclaim the VAT on their expenses, whilst if they are registered, they have to pay over VAT on their income. However, some may benefit from implementing the new flat rate VAT scheme, including some people who are not currently VAT registered.

Instead of adding up the VAT on sales and then deducting the VAT on purchases, the flat rate scheme enables a business to simply pay over a percentage of their turnover. The percentage depends on the nature of the business - for example, a pub would pay over 5.5% of their turnover, whilst a restaurant would pay over 12%. However, neither would be able to claim any VAT on their purchases - the amount paid to

H M Customs & Excise is a straight percentage of takings.

When they were first introduced, the flat rates were set too high, so that they were not beneficial for most businesses.

However, these have recently been reviewed and in many cases reduced. A full table of the rates is given on our web-site.

Anyone with a turnover below £150,000 pa. can join the scheme and we shall review VAT registered clients when we prepare accounts, to see whether this would be worthwhile. However, if you would like us to review your situation sooner, please get in touch.

The scheme may also interest those businesses that are not VAT registered, but make all, or nearly all, of their supplies to VAT registered customers.

For example, a security consultant with VAT registered customers can add 17.5% to his invoices, but need only pay over 10% of the total to the VAT-man.

*Therefore, an invoice for £100 becomes £117.50, of which £11.75 is paid to the VAT office, producing an increase in profits of 5.75%, just for filling in the VAT return.*

There is a further discount of 1% off the flat rate figures for the first year of VAT registration.

If you think that you may benefit from this new scheme and would like us to investigate further on your behalf, please contact us.

The following table has been reproduced from  
H M Revenue & Customs leaflet 733

## 4.3 The trade sectors and flat rates

The table below shows the trade sectors and flat rate percentages in alphabetical order.

Trade sector (from 1 April 2004)	Flat rate percentage
Accountancy or book-keeping	13
Advertising	9.5
Agricultural services	7.5
Any other activity not listed elsewhere	10
Architect, civil and structural engineer or surveyor	12.5
Boarding or care of animals	10.5
Business services that are not listed elsewhere	11
Catering services, including restaurants and takeaways	12
Computer and IT consultancy or data processing	13
Computer repair services	11
Dealing in waste or scrap	9.5
Entertainment or journalism	11
Estate agency or property management services	11
Farming or agriculture that is not listed elsewhere	6
Film, radio, television or video production	10.5
Financial services	11.5
Forestry or fishing	9
General building or construction services	8.5
<b>Note:</b> Use 'General building' if the value of materials supplied is more than 10% of your turnover. If the value of the materials is less than this, use the 'Labour only' flat rate.	
Hairdressing or other beauty treatment services	12

Hiring or renting goods	8.5
Hotel or accommodation	9.5
Investigation or security	10
Labour-only building or construction services  <b>Note:</b> Use 'Labour-only' if the value of materials supplied is less than 10% of your turnover. If the value of the materials is more than this, use the 'General building' flat rate.	13.5
Laundry or dry-cleaning services	11
Lawyer or legal services	13
Library, archive, museum or other cultural activity	7.5
Management consultancy	12.5
Manufacturing food	7.5
Manufacturing that is not listed elsewhere	8.5
Manufacturing yarn, textiles or clothing	8.5
Manufacturing fabricated metal products	10
Membership organisation	5.5
Mining or quarrying	9
Packaging	8.5
Photography	9.5
Post Offices	2
Printing	7.5
Pubs	5.5
Publishing	9.5
Real estate activity not listed elsewhere	12
Repairing personal or household goods	8.5
Repairing vehicles	7.5
Retailing food, confectionery, tobacco, newspapers or	2

children's clothing	
Retailing pharmaceuticals, medical goods, cosmetics or toiletries	7
Retailing vehicles or fuel	7
Retailing that is not listed elsewhere	6
Secretarial services	11
Social work	8.5
Sport or recreation	7
Transport or storage, including couriers, freight, removals and taxis	9
Travel agency	9
Veterinary medicine	9.5
Wholesaling agricultural products	6
Wholesaling food	5.5
Wholesaling that is not listed elsewhere	7

## 4.4 Business activities that are the source of common enquiry

The table below gives the trade sector for particular business activities, which have been the subject of common enquiries to our National Advice Service.

<b>Business activity</b>	<b>Trade sector</b>	<b>Flat rate percentage</b>
Engineering consultants and designers	<ul style="list-style-type: none"> <li>Architects, civil and structural engineers</li> </ul>	12.5
Agents	<ul style="list-style-type: none"> <li>Business services that are not listed elsewhere</li> </ul>	11
Barristers	<ul style="list-style-type: none"> <li>Lawyers or legal services</li> </ul>	13
Florists	<ul style="list-style-type: none"> <li>Retailing that is not listed elsewhere</li> </ul>	6
Agronomists	<ul style="list-style-type: none"> <li>Management consultancy</li> </ul>	12.5