

the bottom line

Welcome to the Autumn edition of "the bottom line" our taxation and accountancy information newsletter. This edition deals with VAT matters and a number of News in Brief items of topical interest.

VAT Matters

Changes to VAT invoicing requirements

From August 2007, VAT invoicing requirements have to be changed to bring UK law in line with European law. Proposed changes include:

- An invoice number must now be sequentially based on one or more series which uniquely identifies the document.
- Any invoices for zero rated despatches, exempt or reverse charge supplies to businesses in other Member States are required to show the legislation or reference which supports the VAT treatment of the supply. Reference may be to European VAT legislation, UK VAT legislation or 'any other reference' indicating the VAT liability of the goods or services.
- Specific invoice references currently required by UK legislation in respect of triangulation supplies and supply and installation by overseas suppliers, may now be amended in line with the above changes.

- Where the Tour Operators Margin Scheme or Second Hand Margin Scheme is applied, European law requires reference to be made on the invoice to European VAT law, UK VAT law or any other reference indicating that the margin scheme has been applied.

Voluntary Disclosure of Errors

H M Revenue & Customs are currently reviewing the arrangement for disclosure of errors in respect of VAT and other indirect taxes. Current legislation allows net errors of £2,000 or less to be adjusted on the next VAT return, regardless of the number and size of the individual errors. A separate notification must be made for net errors over £2,000. The relatively low net limit is considered to be the main irritant for larger businesses. The consultation paper invites responses by 31 October 2007.

Revised VAT Treatment of Home Computers

Following the withdrawal of the tax free exemption which allowed employers to loan computer equipment to their employees tax free, H M Revenue & Customs have reviewed the position regarding recoverability of input tax. Previously, provided there was some business use, any VAT incurred on computers could be deducted in full without any adjustment for private use. This policy has been withdrawn from 13 August 2007 and businesses must consider why the computer is provided to the employee to determine the level of VAT that can be claimed. Full VAT recovery will only be applicable where the provision of a computer is necessary for the employee to carry out the duties of his employment.



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Common VAT problems

H M Revenue & Customs recently issued a leaflet setting out the common VAT problems encountered by their Officers in business accounts. These are listed as:

- Claiming input tax on the purchase, lease, acquisition or importation of cars which are not wholly for business purposes;
- Claiming input tax on purchases for personal or private use, for example private telephone calls;
- Claiming input tax on business entertainment expenditure;
- Unsatisfactory evidence for input tax deduction;
- Not accounting for output tax on fuel used for private motoring;
- Output tax not charged at the correct rate e.g. where supplies are treated as zero rated, exempt or outside the scope of VAT when they should be standard rated;
- Not accounting for VAT on sales of business assets or capital equipment; for example, office equipment or commercial vehicles;
- Unsatisfactory evidence for zero rating supplies of goods to destinations outside the UK;
- Tax point errors – not accounting for output tax at the right time or claiming

- input tax at the right time;
- Arithmetic/accounting errors – transposition of total sales, acquisition figures etc and total VAT due figures. Mistakes on double counting, missing totals etc.

If you require any assistance with VAT matters or require a VAT healthcheck, please contact us.



NEWS IN BRIEF

Employee Education

The tax and national insurance contributions free limit applying to payments made by employers to employees attending full time educational courses is to be increased from £15,000 to £15,480 from the start of the 2007/08 academic year.

PAYE Incentive Payments

The 2006/07 payment of £150 offered as an incentive to file year end PAYE returns electronically can be deducted from current year PAYE/NIC liabilities on notification from H M Revenue & Customs. However, where there are no current year liabilities, H M Revenue & Customs will make

payment by cheque. They have stated that due to the large number of claims, it may take until December before everyone receives their cheque.

Holiday Homes – Benefit in Kind?

H M Revenue & Customs have published draft legislation to ensure that individuals who have bought or will buy a home abroad, will not face a benefit in kind tax charge for any private use if the property is purchased through a company. The exemption applies where an overseas property is owned by a company that is owned by individuals and whose sole activity is holding that property for occupation and/or letting. The legislation has retrospective effect.

Advisory Fuel Rates

New advisory fuel rates for company cars apply from 1 August 2007. The revised rates are:

Engine Size	Petrol	Diesel	LPG
1400cc or less	10p	10p	6p
1401cc to 2000cc	13p	10p	8p
Over 2000cc	18p	13p	10p

National Minimum Wage

There are increases in the national minimum wage from October 2007 as follows:

	Hourly Rate
Adult	£5.52
Workers aged 18-21	£4.60
Workers aged 16-17	£3.40

Contacts:

For further information about the issues raised in this newsletter or if you would like to find out about the range of services that we can offer, please contact Stephen Dabby, Morisha Christy, Tony Sian, Nick Nicolaou or Alex Green.