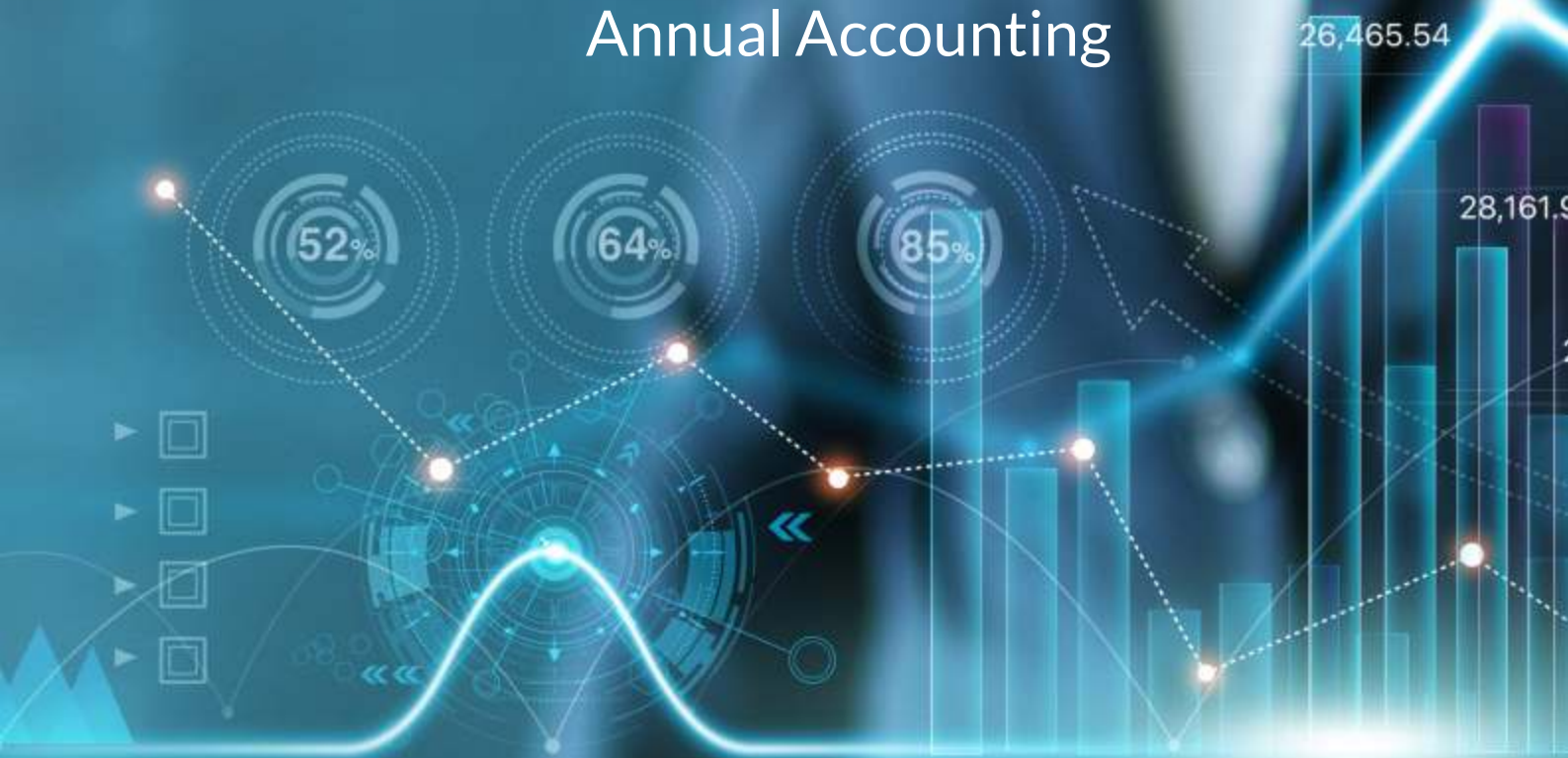


VAT Scheme Annual Accounting



VAT - Annual Accounting Scheme

There are various schemes available to VAT registered businesses that are designed to make the process of completing and submitting VAT Returns that bit easier and more straightforward. One of these schemes is the Annual Accounting Scheme.

How Does It Work?

Usually VAT registered businesses submit their VAT Returns and payments to HM Revenue & Customs every 3 months. Under the Annual Accounting Scheme you:

- Make advance VAT payments towards your VAT bill. These advance payments are based on your last Return or are estimated if you are newly registered; and
- Submit 1 VAT Return per year

When you submit your VAT Return you either:

- Make a final payment, which would be the difference between your advance payments and your actual VAT bill; or
- Apply for a refund if you've overpaid your VAT bill

Eligibility

You can join the scheme if your estimated VAT taxable turnover in the following 12 months is £1.35 million or less

You cannot use the scheme if:

- You left the scheme in the previous 12 months
- Your business is part of a VAT registered division or group of companies
- You're not up to date with your VAT Returns or payments
- You're insolvent

VAT - Annual Accounting Scheme

You must leave the scheme if:

- You are no longer eligible to be in it
- Your VAT taxable turnover is, or likely to be, more than £1.6 million at the end of the annual accounting year

How Do I Join?

You can join either online (if you are also newly registering for VAT) or by post by completing form *VAT600 AA* and posting it to BT VAT, HM Revenue & Customs, BX9 1WR

Confirmation will be sent to you by HM Revenue & Customs

To leave the scheme, you need to write to HMRC at the address above and they will confirm when you can leave.

Return and Payment Deadlines

There are 12 months in your VAT accounting period. Your VAT Return is due once a year, 2 months after the end of your accounting period.

Advance payments are made towards your VAT bill either monthly or quarterly:

- If monthly, they are due at the end of month 4 through to end of month 12
- If quarterly, they are due at the end of months 4, 7 and 10

The final payment is due within 2 months of month 12

Each payment is based on your estimated VAT bill and is either 10% (for monthly payments) or 25% (for quarterly payments). HMRC will write to you with details of the amount and dates of your payments. Payments must be made electronically; e.g. direct debit or internet banking.

VAT - Annual Accounting Scheme

Is it Worth me Joining?

The scheme would not suit your business if you regularly reclaim VAT because you'll only be able to get one refund a year; i.e. when you submit the VAT Return.

There is a reduction in the number of VAT Returns needed each year; from 4 to 1.

The payment each month is known and certain meaning that cashflow can be managed more easily.

There is an extra month to complete the VAT Return and pay any outstanding tax.

Advance payments may be higher than needed as they are based on the previous year's Returns although, if the difference is significant, they can be adjusted.

Seasonal, or other variations, may create an adverse effect on cashflow.

If you need any help in deciding whether or not to apply, please call me on **020 8315 6525** and I will be pleased to help.