

VAT Change 1.12.08
Road Tech Customer Guide
Release 2.3 – 25.11.08

Please Note: With regard to the VAT Regulations this document has been compiled using HMRC publications and is, to the best of our knowledge, correct. We do not accept any liability for any inaccuracies contained herein. If you have any query regarding the VAT Regulations you must contact your VAT Business Centre or HMRC directly.

a. The Regulations

New VAT Rate (15%) comes into effect at 0000hrs 1.12.08

All invoices for Goods and Services with a *Tax Point* on / after this date are at 15%.

Tax Points

There are two types of Tax Point:

Basic Tax Point
Actual Tax Point.

The 'default' is the Basic Tax Point (BTP). The BTP should be applied *unless* overridden by the Actual Tax Point.

Basic Tax Point: The date when the service is performed – Normally taken as the date when all work except invoicing is completed.

Actual Tax Point: Overrides the Basic Tax Point (BTP) when:

- A VAT Invoice is issued or payment (part or full) received before BTP – *Tax Point for this is date of issue of Invoice or date payment received whichever happens first.*
- A VAT Invoice is issued up to 14 days after the BTP – *Tax Point is Invoice date.*

NB.

- If Invoice issued more than 14 days after the BTP, *Tax Point is BTP*
- 14 Day rule can be extended but you will have had to apply to VAT Business Centre. If this is the case you will, hopefully, understand all of this anyway!

Example:

A Job (Roadrunner Booking) is performed on 28.11.08.

Basic Tax Point = 28.11.08

- Booking Invoiced on 5.12.08. This is within 14 days of the BTP so Actual Tax Point of 5.12.08 overrides the BTP.

Tax Point for Booking is 5.12.08 so VAT at 15%

- Booking Invoiced 13.12.08. This is more than 14 days after the BTP so BTP of 28.11.08 still applies.

Tax Point for Booking is 28.11.08 so VAT at 17.5%

References:

HMRC VAT Guide

http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageVAT_ShowContent&propertyType=document&columns=1&id=HMCE_CL_001596#toc

HMRC VAT Change Guide (Summary)

<http://www.hmrc.gov.uk/pbr2008/vat-guide-sum.pdf>

HMRC VAT Change Guide (Detailed)

<http://www.hmrc.gov.uk/pbr2008/vat-guide-det.pdf>

b. Recommended Course of Action

Whilst you can, of course, invoice under your normal schedule (ensuring compliance with the regulations detailed in Section a above), for simplicity Road Tech recommend the following course of action:

Price *and* Invoice as many Traffic Bookings as possible by 2359hrs 30.11.08 – Assuming that VAT applies to these, all the invoices will have VAT charged at 17.5%. If you are able to Price and Invoice all of your Bookings, all new (ie December) Bookings can now be Priced and Invoiced at 15%.

Inevitably there will be some November (and possibly earlier) Bookings that cannot be Priced and Invoiced before 2359hrs 30.11.08 and these will require care at the point that they can be.

When Pricing, the date of the Invoice Run (which will be the Invoice Date) *must* be considered.

If a December Invoice Run will Invoice November Bookings that were performed *within 14 days* of the date of the Invoice Run, these Bookings must be Priced at the 15% VAT Rate.

If a December Invoice Run will Invoice *any* Booking that was performed *more than 14 days* before the date of the Invoice Run, this Bookings must be Priced at 17.5% VAT.

By following the above approach, you shouldn't apply an incorrect VAT amount to any of your invoices. HMRC has said that as this change is to be implemented so quickly after its announcement they will 'adopt a 'light touch' in relation to errors or mistakes in the first VAT return after the change' and will 'take into account the difficulties a business has faced in adjusting to the change'. (Page 3, HMRC VAT Change Guide (Summary)). Therefore, if you do make an odd mistake, showing that you have tried to correctly apply the above will enable you to demonstrate that you have tried to ensure compliance to the best of your ability.

c. Configuring Roadrunner for the Change

Roadrunner needs to have its default Saved VAT Rate, ie the one that the system offers at the point of Pricing a Booking, changed. This should only be performed in conjunction with Road Tech Support. It is a simple procedure so please call 01923 469222 for instructions.