

The VAT Guide: 5 Pro Tips for Getting the Most Out Of Your VAT Services

Our in-depth knowledge of VAT regulations optimises our VAT services. This helps business owners across a range of sectors save money. Since this is one of the most common areas where companies lose out, this is excellent news for small business.

Here are the top five things we look at.

1. Getting the right VAT scheme

Every business is different. And the best VAT scheme for yours isn't necessarily the one that you're on.

- Standard VAT Accounting: This scheme requires quarterly online VAT returns. On these, you're expected to report all input and output tax. In other words, you must inform HMRC about the VAT your business has paid and the VAT it has charged. Although you sometimes have to pay VAT before you've received it from clients, you can reclaim it on goods and services that you have yet to pay for.
- Flat Rate VAT: This is simple to implement and subject to a 1% discount in the first year. That makes the Flat Rate Scheme ideal for freelancers and contractors. And since the rate you'll pay is less than what you'll charge, you can keep the difference.
- Cash Accounting VAT: If your annual turnover is less than £1.35m, you might benefit from the Cash Accounting Scheme. Unlike Standard VAT Accounting, you only pay VAT to HMRC after you receive it from customers or clients. In other words, your cash flow doesn't suffer. Of course, by the same token, you also can't claim back VAT on purchases until you've paid for them.

2. Reclaiming VAT on outstanding debts

We can help you regularly keep tabs on who owes you money and advise on how to offset some of the loss. Specifically, if a customer's debt is more than 6 months old and payment is looking unlikely, you can claim back VAT. Of course, you won't be able to reclaim sales VAT that you haven't received and paid if you're on the Cash Accounting Scheme.

3. Reclaiming VAT on key business expenses

If you burn a lot of fuel in mileage for your business, then this is an important area to make savings. We can advise you on when and how to reclaim VAT on fuel according to the HMRC's advisory fuel rates. Depending on your engine size and fuel type, you could reclaim between 7 and 21 pence per mile from September 2017.

4. Using the best software

Another benefit of working with a certified chartered accountancy firm is access to first-rate accounting software. For example, the best applications help to minimise errors by alerting users to duplicate VAT declarations. If you're running software on your own network, cloud based accounting solutions are a great way to share your records with professionals.

5. Keeping your VAT separate

One final tip we offer clients to ensure they get the most out of professional VAT services is to create a VAT-only bank account. This eliminates the risk of spending what you'll eventually have to pay HMRC. Of course, if you're on Flat Rate VAT, you'll get to keep a set percentage of what you charge. In that case, it's safe to reinvest the difference in your business.