

VAT

Anti-Forestalling

Increase of Standard Rate on 1 January 2010



VAT Registered businesses should be aware of the rules relating to the increase of VAT back up to 17½%

When the VAT rate was reduced from 17½% to 15% on 1 December 2008 it was confirmed that it would revert to 17½% on 1 January 2010 and that anti-forestalling legislation would be introduced to prevent businesses from artificially bringing forward the time of supply to take advantage of the lower rate.

This was confirmed in Budget 2009 and the anti-forestalling legislation was enacted as part of Finance Act 2009.

This legislation introduces a supplementary VAT charge of 2½% in respect of supplies spanning the reintroduction of the 17½% rate that are made to customers that cannot fully recover input VAT and where at least one of the following conditions is met:

VAT must be applied at the rate of 15% to all takings received on or after 1 December 2008. The two main exceptions are:

- The supplier and customer are connected
- The value of the supply is more than £100,000
- The supplier or a person connected with him finances a prepayment by the customer
- The supplier raises a VAT invoice where payment is not due until at least 6 months from the date of invoice.

A supply is deemed to span the reintroduction of the 17½% rate if a VAT invoice is raised or payment is received before 31 December 2009 and the supply

of goods or services is completed after 1 January 2010.

Similar provisions will also apply where the supplier grants a right to receive goods or services at a discount or free of charge where the grant is made before 31 December 2009 and is exercised after 1 January 2010

For further assistance or advice please speak to your usual Shipleys contact or our VAT team in London:
VAT@shipleys.com

Specific advice should be obtained before taking action, or refraining from taking action, on any of the subjects covered.

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