

As per the new HMRC tax changes which will come into effect as of the 1st January 2010, we have now outlined the changes needed and information for Capital Gold.

VAT Increase to 17.5%: 1 January 2010

The UK Government announced earlier this year that the rate of Standard VAT in the UK will increase back to 17.5% (after it was temporarily reduced to 15.0% on 1st December 2008) on 1 January 2010.

However, there could be exceptions.

If the goods are provided before the increase in VAT e.g. 22/12/2009 and then billed after the VAT increase e.g. 02/01/2010, the user can opt to apply a 15.0% VAT charge to the Invoice.

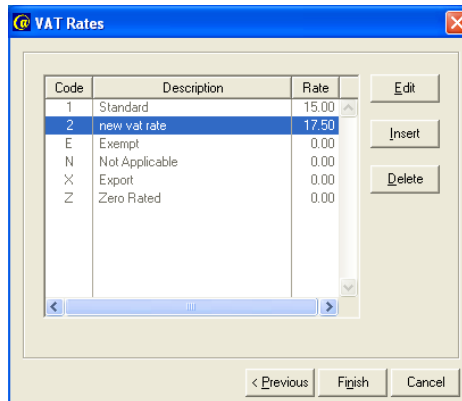
This is valid as the issue of stock was made whilst the VAT Rate was 15.0% and the Invoice was raised within 14 days of supply.

This option is entirely customer preference and can be implemented either way.

For further details please see <http://www.hmrc.gov.uk/vat/forms-rates/rates/rate-rise-guidance.pdf>

How to change the VAT Settings

Please ensure all users are logged out of Capital, under Parameters – VAT Rates you will have an existing VAT Code for Standard VAT Rate at 15%. You need to INSERT a new VAT Code for 17.5% as below



You will then need to run the VAT Data utility to amend all customers and suppliers to use this new VAT code as default and amend any outstanding orders/deliveries to this vat code. This is available upon request from Pegasus Support on 01724 400302 as from 14th December 2009.

Pegasus Support: 01724 400302 Email: pegasussupport@hbpsystems.com



There are also new changes regarding Cross border VAT changes which have been outlined below. These are included in the Capital Gold Accounts Version 3.61 which will be released December 2009.

Changes to the EC Sales List format

As of 1 January 2010, it will be a legislative requirement for a UK VAT Registered Business to declare any Intra-EC Services that they provide to a VAT Registered Customer in the EC on the EC Sales List (ESL - VAT 101 form).

The ESL currently includes the supply of business-to-business (B2B) goods to customers in the EU.

From 1 January 2010, ESLs are required for B2B supplies of services. The default reporting frequency for both goods and services on the ESL will be monthly. But businesses may be able to opt to submit quarterly ESLs for services only if permission is obtained to do so from HMRC.

The amount of time that HMRC and other tax administrators in the EU are allowed to collect and exchange data between each other is being reduced to one month. This means that businesses are likely to have a certain number of days after the end of the reporting period to submit their ESLs:

- 14 days for paper ESLs
- 21 days for electronic ESLs

Note: Intra-EC Services must (still) not be included on the SD report.

Please note that the first new format EC Sales List will require submission by the middle of February 2010. Details of the changes can be found on <http://www.hmrc.gov.uk/vat/ec-sales-lists.pdf>

Thresholds and Reporting Periods

During the period 1 January 2010 to 31 December 2011 quarterly ESLs can still be submitted if the total quarterly value of supplies of intra-EC goods, (excluding VAT), does not exceed £70,000 in the current quarter, or any of the previous 4 Quarters.

The place of supply for suppliers or customers of services

The place of supply is used to decide where VAT must be paid and how VAT should be accounted for.

From 1 Jan 2010 the place of supply for Intra-EC services changes to where the customer is, rather than where the supplier is. UK businesses need to account for VAT on these services as both the customer and the supplier of the service. The supplier will not account for VAT in their country. This is done under the so called 'Reverse Charge' provisions, which is also called the 'tax shift'.

The VAT Return will be updated by the customer for both the supply of the service by the supplier and the receipt by the customer. A Service Item VAT Code will automatically update the following boxes:

- Box 1 - the amount of output tax (VAT due on sales)
- Box 4 - the amount of input tax (VAT due on purchases)
- Box 6 - the value of the supply (total value of sales)
- Box 7 - the value of the supply (total value of purchases)

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