

Pre-Budget Report 2009 **Changes to the main rate of VAT from 1st January 2010**

Starting from 12.30pm on the 9th December 2009 the Chancellor of the Exchequer, Alistair Darling, announced his 'fair' Pre-Budget Report 2009. One of his major announcements was to increase the main rate of VAT (currently at 15%) back to 17.5% from 1st January 2010.

This will effect any business that currently charges VAT at the rate of 15%, therefore those supplies which are zero rated or charged at a lower rate will not need to alter their procedures.

If you do currently charge VAT on your invoices at a rate of 15% then you will need to start to change your accounting systems from the new year.

The new rate of 17.5% applies to any work that is invoiced after 1st January 2010, so long as you did not receive payment in advance for the work. If you are 'cash accounting' for VAT and received the full payment, or deposit, for the goods or services job before 1st January 2010, then the VAT rate for that payment will still be 15% even if the work was not undertaken and the invoice was not prepared until January 2010.

The procedures that you will need to undertake for 2010 are (as applicable)

- Change the main rate of VAT on your tills to show 17.5% so that your customers receive the correct receipts
- If you are using SAGE or any other accounting package, then update the VAT Main Rate figures from 15% to 17.5%. Details of how to update Sage can be found on our website or if necessary contact us.
- If you use Excel or Word to prepare your accounting invoices, then you will need to update these to show the new rate of VAT. You may also need to update any formulas in the spreadsheet to reflect the change.
- If you currently calculate the VAT from your gross takings, the new fraction for calculating the VAT element is 7/47ths of the total (previously 3/23rds).
- If you are using a Flat Rate Scheme for the payment of your VAT, then the majority of the percentage rates have increased. Again a schedule of these can be found on our website.

Articles that can be found on our home page of our website www.ryans-uk.com for your convenience are as follows:

Flat Rate Scheme Amended Values
How to adjust **Sage** – Vat standard accounting
How to adjust **Sage** – Vat cash accounting

If you wish to discuss the upcoming changes further, then please do not hesitate to contact us on 01204 523263.