

## VAT & Exports

The export of goods from the UK by a VAT registered person is normally zero-rated, but as with most things to do with VAT it is not necessarily that simple!

Goods exported to a place outside the EU can be zero-rated, provided:

- The exporter arranges for the goods to be delivered to a destination outside the EU
- The goods leave the UK within 3 months of the date of supply
- The exporter obtains and retains proof of export.
- Goods are not delivered to a UK address (unless for consolidation with other exports)
- The supply is not to a UK resident or VAT-registered business, unless exported directly and fully delivered.

if the supply is of goods to an overseas person who wants to make their own arrangements, then the supply can be zero-rated, provided the above conditions are met and:

- The goods must not be used in the UK between supply and export
- As the supplier, you obtain proof of export

This can be a little difficult to control, so suppliers are recommended to obtain a VAT-equivalent deposit from the customer, refundable upon receipt of the appropriate documentation.

Goods exported to EU countries

Again, these can be zero-rated, but there are further conditions:

- The goods must leave the UK within 3 months of supply
- The customer's EU VAT number must be obtained and annotated on the sales invoice
- Periodic EC Sales Lists to be submitted, detailing aggregate values of sales to EU customers
- Submit monthly declarations if annual value of exports to EU exceeds £250,000 p.a.
- Cannot zero-rate to UK customers, unless registered for VAT in EU country of destination

There are, of course, many more conditions and rules that apply to specific scenarios (ship's stores, motor vehicles etc), but hopefully the above gets you started on the right track.



## Option to Tax

Whether or not to opt to tax and therefore charge VAT, on letting a property, has been further highlighted by the VAT rise. A landlord can make an irrevocable election to charge VAT on a property which he or she acquires. This allows the recovery of VAT on costs related to the property such as repairs and professional fees. VAT must then be charged on the rental. For tenants which are VAT registered and can recover all input VAT this is not a problem. However certain would be tenants may be put off from leasing the property if they are unable to recover part or some of the VAT. Such types of tenants would include; health and welfare, education and finance related business. Further complexities can occur on sale of the property. All in all it is therefore worth giving full consideration to an option to tax so as to ensure the short term benefits of recovering VAT at 20% are not offset by longer term costs and issues.

## The end of ESC C16

ESC C16 has allowed companies that are being wound up to pay final dividends that are treated as a capital gain rather than as income. With the highest rate of capital gains tax at 28% comparing favorably to 50%, or higher, in the case of income tax, obtaining this concessionary treatment has and does make good sense.

However, under as yet not enacted CTA 2010, sec 1030A, the total amount of dividend which can be treated as capital gain under the proposed new legislation is restricted to £4,000.

In cases where assets exceed £4,000, a formal winding up procedure will need to be followed if a capital gains tax treatment is to be obtained. For such a procedure I have seen fees as low as £2,500 and this figure may fall in the face of completion. That said if enacted, a simple, cheap, tax efficient exit route for small businesses will have been closed.

## Tax breaks for Low-emission vehicles

### Capital allowances

A new company car that has Co2 emissions of 110 grams or less per kilometre (g/km) driven, or is electric, can qualify for a 100 per cent first-year capital allowance.

There is a 100 per cent first-year allowance for business expenditure on new electric vans.

### Benefits in kind

Employees and directors provided with a car or van for their private use that runs solely on electricity or which cannot produce Co2 under any circumstances when driven will qualify for a nil rate of income tax. The nil rate came into force on 6 April 2010 and applies for five years. The benefit-in-kind tax rate for ultra-low emission cars (75g/km or less) has also been reduced to 5 per cent.

### Vehicle taxes

Road tax is now also based on Co2 emissions so the lower the emissions the lower the road tax.

Band	Co2 emission (g/km)	12 months rate
A	Up to 100	£ 0.00
B	101-110	£ 20.00
C	111-120	£ 30.00
D	121-130	£ 95.00
E	131-140	£ 115.00
F	141-150	£ 130.00
G	151-165	£ 165.00

Extract H to M excluded

### Summary

There are currently over eighty cars with Co2 emission of 100 g/km or less, from manufacturers such as Fiat Lexus, Seat, Skoda, Smart, Toyota and Volkswagen. Perhaps low emission cars are at least worth consideration.

## Clarity ISA's

With the Clarity Auditing standards now six months old, it is time to reflect on their impact so far. From our experience at Silbury we note that much that is additionally now mandatory was being already completed by our audit teams as best practice under the old standards. There have been some additional problems thrown up, such as related party transactions (FRS8) and international group audits



but as ever we have developed practical ways to resolve these issues. This change has not then been the excuse for fee hikes, except perhaps for those who undercharged before by cutting corners which are now more solid. If you would like to compare your current audit fee and experience contact our audit partner at your local office.

## Overdrawn Directors' Loan Accounts

Loans to directors can have their place but a number of factors need to be considered. If the loan account is greater than £5,000 then interest at the official rate, currently 4% must be charged, else a benefit in kind will have to be calculated and paid along with class 1A National Insurance.

If the benefit in kind is to be avoided then interest at least equal to the official rate must be paid. This will be taxed as company income at 20%, so the true rate on the loan will be 0.08%.

In addition to the benefit in kind, if the loan is not repaid within nine months of the company year end, section 419 tax is payable. This is calculated at 25% of the outstanding loan. When the loan is cleared the section 419 tax is repaid, but with no interest. It is important to remember that the loan will be pursued even if the company fails and is wound up. It is important to consider the method of ultimate repayment.

If you have or are considering using a director's loan you should seek advice from your accountant and tax adviser.