

## ULTRA ACCESS

### “Value Added Tax” - VAT

What it is, and when it should be applied to a business transactions

**Value Added Tax**, commonly known as VAT, is one of the UK’s most significant sources of government revenue, raising over (an estimated) £160Billion annually.

Introduced in 1973 upon joining the European Economic Community, **VAT** is a consumption tax charged on most goods and services sold within the UK. It is not a tax on businesses themselves but on the value added at each stage of production and distribution.

In short: **VAT** is ultimately paid by the final consumer, while businesses act as tax unofficial collectors and holders for **HMRC** (**H**is / **H**er **M**ajesty's **R**evue and **C**ustoms).



**VAT** operates on a credit-invoice system. When a VAT-registered business sells a product or service, it charges VAT at the applicable rate and issues an invoice showing the VAT amount.

The customer pays the total, including VAT. The business then deducts any VAT it has paid on its own purchases (called input VAT) from the VAT it has collected from customers (output VAT).

The difference is paid to HMRC, usually every quarter / 3 months.

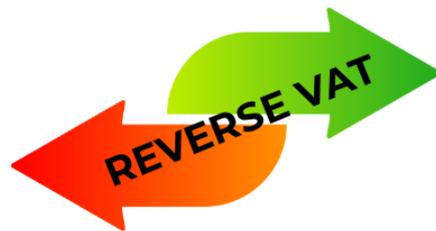
Now, with regards to scaffolding companies, due to it being a construction sector-based industry, there is such a thing as “**REVERSED VAT**” (officially the **Domestic Reverse Charge** or **DRC**) is supposedly a UK anti-fraud rule that flips who pays VAT on certain supplies.

Don’t get caught out by this and always seek advice from a qualified accountant before hand - **ULTRA ACCESS** is not qualified in accounting in any way whatsoever.

Its also not optional, with all businesses based in Britain legally required register for **VAT** if their taxable turnover exceeds a certain amount of money in a 12-month period.

**VAT** evasion is not recommended - as it is tax evasion like any other kind and would potentially lead to long prison sentences handed out and criminal records, and putting in late “VAT returns” are also likely to incur large fines and possible investigations by HMRC.

Ultimately, if you have an up and coming scaffolding business, or are a scaffolder looking to take the plunge and “set your own firm up”, always seek the advice from a professional and qualified accountant, to avoid being caught out, and having to pay fines or worse for non-VAT compliance. The few hundred pounds they might cost you is well worth the price...



**Reverse VAT = no VAT on your invoice - your customer sorts it with HMRC, but only between VAT-registered CIS firms.**