

# VAT GUIDANCE

## Entering purchase invoices with vat.

Most invoices show vat separately on their invoice to you, just as you do on your invoice to your clients. This is straight forward.

- The vat figure goes into the vat column often shown in grey.
- The net of vat figure goes into the cost column.
- E.g. my tax return invoice £80+vat(£16) = £96 to pay.
  - Vat column £16.
  - Accounts column £80.
  - The total will automatically add it across to £96.
  - Ensure the total = paperwork
  - E.g.

Date	Cheque/dd	Supplier	Receipt #	Total	VAT	Accounts
22-Sep-14	TFR	McAdam & Co Ltd	21	96.00	16.00	80.00

Enter the vat claim in the vat column NEXT TO THE TOTAL COLUMN. Don't enter vat paid in this column, or you will reclaim it twice. Vat payments to Hmrc remain in their 'vat paid' column as before.

## Ambiguous items

- **Parking**
  - Parking – generally council parking, on-road or city council multi-story, vat is not charged so don't have a vat number.
  - Parking – generally privately owned car park e.g. NCP do charge vat (vatable service).
- **Golden rule**
  - If there is a vat number and the vat is not shown, you can assume vat was charged.
  - If there is a NO vat number, never reclaim vat– e.g. Companies House fee £13.00.

## Vat figure is not shown

If you know it is a vatable cost but the vat figure is not shown – e.g. mobile phone, We need to calculate the vat. E.g. Vodafone £40.00 see below the calculation.

## Calculating the vat when the vat is not shown

- vat fraction = if £10+vat(20%) = £12
- $\equiv 10+2=12$ .
- Vat fraction from the gross is  $\frac{2}{12}$  half the fraction and we get  $\equiv \frac{1}{6}$ th
- So we divide the amount paid  $£12 \div 6 = 2 = \text{vat}$ .

## Example calculating vat

- Vodafone above  $£40 \div 6 = £6.6$  vat is £6.67(rounded)
- $£40.00 - £6.67 = £33.33$ . net is £33.33
  
- To prove this is correct  $33.33 \times 20\% = 6.67$ (rounded)
- $33.33 + 6.67 = 40.00$ .

Cont....

Obviously this vat fraction of  $\frac{1}{6}$ th will change if the vat rate from 20% changes.

## Some definite no, no's covering common areas.

- Most postage is non-vatable, very few services at the post office will vat apply, so assume no-vat unless the receipt says otherwise.
- No vat on insurance ever. Insurance charges IPT [Insurance Premium Tax], this is never reclaimable.
- All wages, bank charges, interest payments.
- Any item without a vat number.

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## Mileage on director expenses

The 45p rate per mile for mileage remains the same. But we cannot apply the full vat calculation. The amount of vat we can apply to mileage claims is set by Hmrc "Advisory Fuel Rates". These are updated quarterly to reflect fuel prices. The table is split into a grid, the grid updated **31.3.17**

Engine size	Diesel - per mile	Petrol - per mile	LPG - per mile
1400cc or less	9 pence	11 pence	7 pence
1401cc to 2000cc	11 pence	14 pence	9 pence
Over 2000cc	13 pence	22 pence	14 pence

So when I ask for your exact c.c. (as shown on the V5 document/log book), it is important, as a 2litre car could be 1996cc - 2004cc, but they fall into different brackets.

The spreadsheet does most of the work for you.

The mileage is still calculated at 45p per mile.

The vat is done separately at 13p per mile.

The spreadsheet combines the two; taking total payable £522.90, vat £19.70, = the balance for motoring column.

*Here is Doug's mileage claim for March-17; I have a 3.0L diesel (2996cc), so my rate is 13p.*

MILEAGE	OPENING	172987	Business %	95%			
	CLOSING	174210	BUSINESS	<b>1162</b>			
	TOTAL	1223	Rate per mile	£0.45	£522.90		
			vat rate per mile	£0.13	£151.06	19.70	131.36
						rate	1.2
					Total	VAT	Net
Motor		Fuel			522.90	19.70	503.20

## REQUIRED FROM YOU - just a small bit

As I don't have access to your directors' file until after the transaction, **you will be required to monitor the Advisory Fuel Rates**. Please book mark this link in your browser and familiarise yourself with it.

<https://www.gov.uk/government/publications/advisory-fuel-rates>

The first result usually gives you the current rates and tells from when they apply.

The advisory fuel table is published monthly; changes only occur if the average fuel price changes significantly.

Usually the rate changes by 1-2pence.

On the spreadsheet the **formula for the rate per mile** is linked to the previous month; when you make a change, the spreadsheet will automatically apply the new rate for the remainder of the year but will not alter previous months. E.g. say my rate changes to 14p on 1.6.17. Go to June locate the 13p as shown in pink above, overwrite the formula with 14p, the spreadsheet does the rest. **Any problems call me!**

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## Entering director's expenses with vat into the accounts spreadsheet

Most directors expense file I supply contain an example.

Below is an example with vat and how it should be entered onto the purchase spreadsheet.

P.S.B.

## ABC LTD - EXPENSES CLAIM

**John Doe**

MONTH OF: **Sep-14**

MILEAGE	OPENING	7408	Business %	86%	Vat on fuel		
	CLOSING	8564	BUSINESS	<b>996</b>			
	TOTAL	1156	Rate per mile	£0.45	£448.20		
			vat rate per mile	£0.13	£129.48	21.58	107.90
						rate	1.2
					Total	VAT	Net
Motor	Fuel				448.20	21.58	426.62
Other motor expenses			Bridge	Severn	5.60	0.93	4.67
			Bridge	non vatable	0.00	-	0.00
Phone	vatable		(50% home BB)		26.00	4.33	21.67
Spare	vatable				0.00	0.00	0.00
B+B	vatable				0.00	0.00	0.00
Post	vatable				0.00	0.00	0.00
Parking	zero				5.00	-	5.00
Ebay stationary	zero				17.39	-	17.39
Post	zero				0.00	-	0.00
Taxi	zero				0.00	-	0.00
Subsistence	zero				250.00	-	250.00
<b>TOTAL EXPENSES</b>					752.19	26.84	725.35
					752.19		

### WEEKLY PLANNER

DATE	CLIENTS	MILES	OTHER
1			
2			
3			
4		40	5
5		40	5
6			
7			
8			
9			
10		206	30
11			
12		118	15
13			
14			
15			
16			
17		184	30
18			
19			
20			
21			400
22			
23		150	95
24		164	15
25			
26			
27			
28			
29			
30		94	15

996

Date	method	Supplier	receipt	X	Total	Vat	Post +	Phone	motor	Travel
31-Jan-07	TFR	Jan monthly expenses			752.39	26.84	17.39	21.67	426.82	259.67