Easing the impact of VAT: Consultation on a flat rate scheme for small firms

HM Customs and Excise

June 2001

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Further copies of this document are available from:

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INTRODUCTION

PURPOSE

I.1 The statement of June 18 by the Chancellor of the Exchequer and the Secretary of State for Trade and Industry sets out the next steps the Government will take to encourage the growth of enterprise and productivity in the UK. As part of this process, the Government has announced a new Small Business Birth strategy designed to reduce the tax and regulatory burdens faced by small businesses both when they start up and as they grow.

I.2 While the VAT regime for businesses in the UK is simpler than that faced by their counterparts anywhere else in the EU, the Government is nevertheless committed to do more to help small businesses manage their entry into the VAT system, to reduce their VAT administration burden and to improve their cash flow.

I.3 This consultation document sets out a radical proposal designed to take forward those objectives: an optional flat rate scheme for smaller firms. Under the proposed scheme, businesses could avoid having to account internally for VAT on all of their purchases and sales. VAT would instead be calculated as a percentage of their taxable turnover.

I.4 The Government estimates that this could cut compliance costs for more than three hundred thousand businesses by up to £1,000 per year. This consultation document invites comments from businesses and the professions, their advisers, and their representative bodies on the scope and mechanics of the proposed scheme, and gives them an opportunity to influence the final shape of the new arrangements.

I.5 This consultation document also seeks views on proposed changes designed to simplify and increase participation in the annual accounting scheme, which allows businesses to file VAT returns annually rather than quarterly, thereby improving their cash flow and reducing their compliance costs.

RESPONSES

I.6 A number of specific questions concerning the Government's proposals are set out in the body of the document so that they can be seen in context. These questions are collected together in a form in **Annex C** (starting on **Page 21**). It would ease analysis if responses were made on the form in **Annex C**, and returned to HM Customs and Excise by **7 September 2001**.

I.7 You are also invited to provide any general views you may have on the proposals. In particular, Customs would welcome views about alternative forms of flat rate schemes that might better suit particular trade sectors.

I.8 The address to which to respond is:

Flat Rate Scheme Consultation
VAT Supply Division, Policy Group,
H M Customs and Excise,
4th Floor East, New King's Beam House
22 Upper Ground, London SE1 9PJ

I.9 Alternatively, you can e-mail responses to jack.warr@hmce.gsi.gov.uk

1.10 **Please note that:**

- **although all responses to this document will be considered carefully, responses will not be acknowledged individually;**
- **responses, and the names of respondents, may be quoted and made available to the public. If you do not wish this information to be made available in this way, please say so in your response.**

1.11 Further copies of this consultation document can be obtained from the Customs and Excise web site: www.hmce.gov.uk

Contents

2 Background

HOW THE VAT SYSTEM WORKS

2.1 VAT is a tax on the final consumption of goods and services, collected at every stage of production and distribution. It is charged on the vast majority of goods and services at the standard rate of 17.5%. VAT is also charged on a selected group of goods and services at either a zero rate[1] or a reduced rate of 5%[2].

2.2 There are also a number of other supplies which are exempt from VAT, generally because it is considered either inappropriate or too technically difficult to tax them[3]. In addition, goods and services which are provided without any form of payment or consideration in return are considered to be 'non-business' supplies for VAT purposes.

2.3 Businesses with an annual turnover of less than £54,000 do not have to register for VAT purposes, and they therefore do not charge VAT on the goods and services they provide. Similarly, businesses making only exempt supplies are not able to register, do not charge VAT on the goods and services they provide, and cannot recover the VAT they incur on the things that they buy.

2.4 Bodies whose annual taxable turnover is above £54,000 must register for VAT, and must charge VAT on the taxable goods and services they supply. They fall into two main categories: those making taxable supplies only, and those making a mix of taxable and exempt supplies.

2.5 Taxable businesses incur VAT on the things that they buy (input tax) and charge VAT (output tax) on the taxable goods and services they supply, either to a final consumer or to the next business in the production and distribution chain. They must charge 17.5%, 5% or 0% depending on whether their supplies are standard-rated, reduced-rated or zero-rated, but they are also able to recover the VAT they incur on their purchases.

2.6 Businesses which make a mix of taxable and exempt supplies are known as 'partially exempt', and are able to recover a proportion of the VAT they incur on their purchases – calculated by means of a 'partial exemption calculation'.

2.7 At the end of each accounting period, VAT-registered businesses submit a VAT return to Customs accounting for the amount of input tax they have incurred and the amount of output tax they have charged. If their output tax exceeds their input tax, they pay the difference. If their input tax exceeds their output tax, they receive a VAT repayment. A sample from the VAT return is shown at **Annex B**.

IMPACT OF VAT ON SMALL FIRMS

2.8 Operating within the VAT system raises two real matters of concern for small businesses. The Government is committed to making these aspects of the VAT system easier for them to cope with.

[1] Including most food and drink, children's clothing and footwear, books and newspapers, passenger transport, construction of new dwellings, prescription drugs and medicine, water and sewerage services, most ships and aircraft, and supplies to charities and people with disabilities.

[2] Domestic fuel and power, installation of energy-saving materials, conversions of residential dwellings, women's sanitary protection, children's car seats, and renovations of domestic property empty for 3 years.

[3] Including rent on domestic dwellings and commercial properties, private education, health services, postal services, burial and cremation, finance and insurance, betting, gaming and lotteries.

2.9 Many small businesses experience difficulty when they move over the registration threshold and into the VAT net, obliging them to account for VAT on all their purchases and supplies. This 'cliff-edge' effect can have a serious initial cash-flow and compliance impact on newly-registered businesses. Filing their subsequent VAT returns – usually on a quarterly basis – imposes an ongoing cash flow and compliance burden on businesses, which small firms can find especially difficult.

2.10 Small businesses with less sophisticated accounting systems can also experience difficulties when having to account for goods and services they have bought and sold at different rates of VAT. This compliance burden is compounded where those businesses are engaged in a mix of exempt and taxable activities.

RECENT VAT SIMPLIFICATION CHANGES

2.11 Since March 1999, HM Customs have been engaged in discussions with a wide range of businesses and business groups to identify the problems they face, and to try and identify workable solutions to them.

2.12 As part of the response to that consultation process, the Government announced a package of measures in the March Budget designed to ease the problems faced by small and newly-registered businesses:

- The VAT registration threshold, already the highest in Europe, was increased in line with inflation to £54,000 – keeping another 8,000 small businesses outside the VAT net;
- The taxable turnover limit for participation in the VAT cash-accounting scheme was increased from £350,000 to £600,000, enabling an additional 40,000 traders to benefit from the scheme, which improves cash flow; and
- The upper turnover limit for the annual accounting scheme was raised from £300,000 to £600,000, making another 100,000 businesses eligible to join the scheme, which cuts compliance costs and improves cash flow by allowing firms to file returns on an annual rather than a quarterly basis.

2.13 Customs are also making a number of changes to their own administrative operations designed to make the service they provide better reflect the needs of business, including:

- providing help and incentives to encourage businesses to send in VAT returns via the Internet and make their VAT payments electronically;
- providing better advice through a lifelong business support programme and a National Advice Service, through which businesses will be able to seek advice and help from a team of fully-trained officers via a telephone helpline;
- and providing new businesses with a wider and more helpful range of videos and leaflets designed to introduce them to the VAT system and encourage them to seek advice and support from Customs.

2.14 As part of its new Small Business Birth strategy, the Government has set out the next steps it will take in its efforts to help small businesses to manage their entry into the VAT system, ease their cash flow and reduce their compliance costs:

- Where smaller companies have difficulties in paying VAT on time, the Government's first response will in the future be to offer advice and support rather than simply imposing automatic fines; and
- This consultation document sets out proposals for a new flat rate scheme, and for enhancements to the annual accounting scheme, designed to reduce the tax and compliance cost burden for hundreds of thousands of small firms.

3 A VAT Flat Rate Scheme

3.1 This section sets out in detail the Government's proposals for an optional VAT flat rate scheme, and asks for views on a number of specific questions and issues. The contents of this section are therefore reasonably technical and assume a good working understanding of the VAT returns process, which the flat rate scheme aims to simplify.

OUTLINE OF THE SCHEME

3.2 Under a VAT flat rate scheme, traders could – if they opted to join – avoid having to account internally for VAT on all their purchases and supplies, and would instead simply calculate their net VAT liability as a percentage of their total turnover, including all their reduced, zero rate and exempt income. This figure would also include the value of supplies to other Member States.

3.3 Traders would have to keep a record of their tax inclusive total turnover and apply the appropriate flat rate to calculate the net tax due. This record would vary depending on whether traders were using cash accounting, daily gross takings or invoice accounting procedures. This figure would then be recorded in box 1 on their standard VAT return and the tax exclusive total value in box 6 (see Annex B).

3.4 In order to give them maximum flexibility, businesses joining the flat rate scheme would be able to choose whether to account for VAT on a quarterly basis, or whether to combine the flat rate scheme with the annual accounting and cash accounting schemes.

3.5 As in the case of annual accounting, it is proposed that traders who use the flat rate scheme should make their tax payments by electronic means. They would also benefit from an extra seven days beyond the normal due date to render their VAT returns and payments.

3.6 Some of the normal VAT procedures would continue to apply to businesses, even if they joined the flat rate scheme. Traders would still be required to issue VAT invoices where their customers were registered for VAT, charging tax at the normal rate for the supply (i.e. not the flat rate percentage). Their customers would treat these as normal VAT invoices. All sales and purchase invoices would also have to be retained for VAT purposes for a period of six years.

Q3.1. What do you think of these proposed accounting procedures ?

A3.1

ELIGIBILITY FOR THE SCHEME

3.7 The proposed scheme would be open to all traders with annual taxable turnover, including reduced and zero-rated supplies, of up to £100,000 in the year of entry to the scheme, and with total tax exclusive turnover, including the value of exempt supplies and/or other non-taxable income, of up to £125,000 a year.

3.8 Traders with exempt income who opted to use the scheme would effectively be treated as fully taxable, whether or not they were beforehand, because the flat rate calculation for their trade category would already take irrecoverable tax on their purchases into account.[4]

3.9 The turnover limit is different to that for the annual and cash accounting schemes, which is based on taxable income only. This is because large organisations with considerable exempt or non-business income could not be considered to be small undertakings within the meaning of Article 24 of the EC Sixth VAT Directive.

3.10 The tax exclusive turnover threshold at which traders would have to exit the scheme would be set at £125,000 a year, and the total tax exclusive turnover limit, including exempt and non-business income, would be £150,000.

3.11 Traders authorised to use the scheme would cease to be authorised at the end of their accounting year if they had exceeded the turnover limit. In other circumstances (e.g. where traders have reason to believe that their turnover will exceed the limit in the accounting year), they would have to notify Customs who would terminate their authorisation to use the scheme from an appropriate date. Traders could also leave the scheme at any time, provided they notified Customs in writing. However, they would not be able to rejoin for a period of at least one year.

3.12 Traders dealing in second hand goods, auctioneers and traders required to use the Tour Operators Margin Scheme would not be eligible to use the flat rate scheme. Repayment traders, including those currently using the flat rate scheme for farmers, would be eligible to join. However, it is only likely that they would opt to do so if they felt the value of the potential administrative savings was greater than the value of their current VAT repayment.

Q3.2. What do you think of these proposed eligibility criteria?

A3.2

FLAT RATE PERCENTAGES

3.13 It is proposed that there would be a range of flat rate percentages from 5 per cent to 15 per cent. The details of these percentages and the trade sectors[5] to whom they would apply are set out at **Annex A**. These have been based broadly on an analysis by trade sector of tax declared on VAT returns compared to the value of supplies declared. All rates are approximate and may be subject to further refinement.

Q3.3 What do you think of the proposed flat rate percentages in general?

A3.3

[4] Other conditions would be that their registration is not in the name of a VAT group under Section 43(1) or in the name of a division under Section 46(1) of the VAT Act, and that they are a genuine stand-alone business and not part of a corporate group or larger enterprise.

[5] Based on the standard trade classifications with which VAT-registered businesses will be most familiar.

Q3.4. Do you have views on the proposed flat rate percentages for any specific sector?

A3.4

3.14 Traders would apply the flat rate percentage for their trade sector to their total tax inclusive turnover, including exempt turnover. However, this would not include non-business income, which is taken into account only for the purposes of eligibility for the scheme.

3.15 Those traders engaged in subsidiary trades with a different flat rate percentage to their main one would adopt the percentage for the main trade. If the main trade category changed during the prescribed accounting period, it is proposed that the new flat rate percentage would apply from the date of the change.

Q3.5 Do you agree with the approach towards subsidiary and main trade categories?

A3.5

COMPLIANCE COSTS

3.16 The Government estimates that traders using the scheme would save approximately £1,000 a year in compliance costs. This is based on the reduced accounting requirements and traders having to maintain fewer records for VAT purposes, and has been estimated as a saving of approximately 52 hours a year at an hourly cost of £16 plus a saving in accountants' charges rounded to £1,000.

3.17 This is a tentative estimate, and a more accurate figure may emerge as a result of the Joint Compliance Costs Research Programme currently being carried out by Inland Revenue and Customs. In the interim, Customs would welcome views as to whether this represents a reasonable figure for annual compliance cost savings.

Q3.6 What do you think of these estimated compliance cost savings?

A3.6

CAPITAL EXPENDITURE

3.18 The flat rate scheme rates as proposed have been calculated to allow for low value capital purchases. Although the flat rate percentages could be reduced further to allow for high value capital expenditure as well, this would have a distortive effect: businesses not making high value capital purchases would gain a considerable and undue advantage as a result, while businesses making those type of purchases would incur a large amount of input tax up front, which would only balance out gradually over time via the flat rate scheme.

3.19 Businesses participating in the flat rate scheme may therefore prefer to recover VAT on high value capital expenditure when it is incurred. It is therefore proposed that input tax on tax inclusive expenditure over £2,000 should be recoverable outside the flat rate scheme. Traders would recover this by showing the input tax in box 4 on their VAT return and showing the value of the capital purchase in box 7. This would not apply to items such as cars where the tax on purchases has been blocked by specific legislation.

3.20 At the same time, where capital purchases were dealt with outside the scheme, businesses would also have to account for output tax outside the scheme on their disposal and/or on assets on hand at de-registration. In these circumstances, traders would show the output tax due, together with that due under their flat rate calculation, in box 1 of the VAT return and the value of both in box 6.

3.21 There would also need to be rules to account for tax where traders making exempt supplies recovered full input tax on capital expenditure, then left the scheme but continued to trade, and also to cover interaction with the Capital Goods Scheme.

Q3.7 Do you agree with this approach towards high value capital expenditure?

A3.7

Q3.8 Is the £2,000 level appropriate?

A3.8

Q3.9 What would be the best method of dealing with capital purchases where traders leave the scheme?

A3.9

INTRA-COMMUNITY TRADE

3.22 At present, traders have to account for the output tax due on supplies of goods received from other Member States, and then recover input tax under the normal rules depending on whether they are fully taxable or partly exempt.

3.23 It is estimated that very few traders involved in supplies and acquisitions to and from other Member States would be eligible for the flat rate scheme. Nevertheless, the Government does not want to exclude traders involved in intra-Community trade from using the scheme. On the assumptions that few traders would be affected and that such transactions would likely be of low value, it is proposed that traders deal with them as they would now.

3.24 This means they would continue to keep a separate record of their supplies and acquisitions to and from other Member States, in order to meet their legal obligations to record the necessary details in boxes 2, 8 and 9 on their VAT returns. As all eligible traders using the flat rate scheme would be treated as though they were fully taxable, they would show the equivalent tax amount as input tax in box 4.

Q3.10 What do you think of this approach to intra-community trade?

A3.10

Q3.11 Are there any simpler ways of dealing with these transactions?

A3.11

REVERSE CHARGES

3.25 Reverse charges arise on supplies of services where the recipient of the supply has to account for the tax due. Fully taxable traders also then recover the equivalent amount as input tax. Unlike acquisitions, the output tax due on reverse charges is simply included with other output tax in box 1 of the VAT return and the value is included with that of other outputs and inputs.

3.26 As there would be no legal requirement under a flat rate scheme to record details of reverse charges for services, it is proposed that traders involved in such charges for services would no longer record any details of output or input tax or of the values of such transactions on their VAT returns. The flat rate scheme calculations would then be done in the normal way, excluding the value of reverse charges for services.

Q3.12 What do you think of this approach to reverse charges?

A3.12

Q3.13 Are there any simpler ways of dealing with these transactions?

A3.13

ASSESSMENTS AND AVOIDANCE

3.27 Any assessment of tax made by Customs where tax was properly calculable under the scheme would be based on the appropriate flat rate percentage. In other circumstances (e.g. where tax was under-declared on capital disposals), tax would be assessed under the normal VAT system. Equally, tax geared penalties would also be calculated on the same basis as the assessment.

3.28 The flat rate scheme is designed to help small, stand-alone businesses in recording and accounting for the proper amount of VAT due. It is not intended to open up opportunities for businesses to exploit it unfairly in order to avoid tax.

3.29 It is intended that any flat rate scheme legislation would therefore give Customs the necessary powers to counter attempts at tax avoidance or attempts otherwise to abuse the scheme. As with other schemes, such as cash and annual accounting, these would probably include the power to deny entry to, or remove traders from the scheme. They could also include the power to recoup any unfair tax advantage gained through abusive use of the scheme.

Q3.14 Do these arrangements sound reasonable?

A3.14

OTHER ISSUES

3.30 This section has provided an outline of how the flat rate scheme would work, which businesses it would apply to, and how some specific issues could be dealt with. In addition to the questions identified above, the Government would welcome more general comments on the wider issues raised by these proposals.

Q3.15 What can be done to maximise participation in the flat rate scheme?

A3.15

Q3.16 Who do you think the biggest beneficiaries from the scheme would be?

A3.16

Q3.17 Are there other issues to be addressed about how the flat rate scheme would work in specific circumstances?

A3.17

Q3.18 If you are a business or represent businesses, would you participate or advise your clients to participate in the scheme? Why?

A3.18

4 THE ANNUAL ACCOUNTING SCHEME

HOW THE CURRENT SCHEME WORKS

4.1 Since April 1, the annual accounting scheme has been open to some 900,000 businesses which have been registered for VAT purposes for at least 12 months and which have an annual turnover of up to £600,000. Rather than submitting quarterly VAT returns, businesses submit just one annual return. This cuts down on their compliance burden and improves cash flow during the year.

4.2 Under the current scheme, the very smallest businesses pay no VAT at all during the year and settle their full account with one annual electronic payment. However, businesses with higher levels of turnover and a higher average annual VAT payment are required to make interim electronic payments against a proportion of the debt which they are building up during the year. They then make a final balancing payment with their annual VAT return. If they are concerned about building up too much debt during the year, businesses may also make voluntary payments of any size at any time.

Table 4.1: Annual Accounting Scheme: Interim payments required during the year

Size of business		*Interim payments required during the year*	
Annual taxable turnover	**Annual VAT payment**	**No. of interim payments**	**Size of interim payments**
–£100,000	–£2,000	Nil	Nil
–£100,000	£2,000	Three	20% of previous annual payment
£100,000 – £600,000	n/a	Nine	10% of previous annual payment

4.3 Despite the administrative and cash flow benefits, take-up of the scheme is currently very low. One of the reasons for this may be the requirement that businesses use the normal VAT system (filing quarterly returns) for 12 months before becoming eligible for the annual accounting scheme. This has two effects:

- Newly-registered firms, who would probably be most keen to take advantage of the administrative and cash flow benefits, are unable to do so; and
- Other firms may be reluctant to switch to annual accounting once they have set up and got used to using quarterly accounting systems.

4.4 It is also thought that many accountants may be reluctant to advise their smaller clients to take up the scheme because of the build up of debt which goes with making only one VAT payment a year.

PROPOSALS TO INCREASE TAKE-UP

4.5 The first reform being considered is to **remove the 12-month qualifying period for admission to the scheme for small businesses with an actual or forecast turnover up to £100,000**. It would remain for businesses above this turnover limit.

Q4.1 Would this reform help to encourage take-up of the scheme?

A4.1

4.6 Restricting this reform to the smallest businesses will ensure that it is well-targeted at those businesses coping with the transition across the 'cliff-edge' registration threshold. It will also reduce the risk of the scheme being exploited by fraudulent or less-compliant businesses.

Q4.2 Should the reform be limited only to firms with turnover less than £100,000 ?

A4.2

4.7 If the 12-month qualifying period is lifted, there is a practical issue to consider of how to calculate the interim VAT payments due from newly-registered businesses who have no previous VAT history. There is a risk that this could lead to miscalculations and the build-up of an unexpectedly high debt to settle at the end of the year, although the £100,000 turnover limit will limit the scale of that risk.

Q4.3 How should the size of interim VAT payments due from newly-registered businesses be most accurately calculated ?

A4.3

4.8 While proposing to relax the 12-month qualifying period, the Government is also considering whether all businesses moving onto the annual accounting scheme for the first time should be required to make interim payments against a proportion of the debt built up during the year.

4.9 This would enable these businesses to manage their cash flow with more certainty and avoid a build up of VAT debt during the transition to annual accounting. It should also help address the concerns of accountants about their clients moving onto the scheme and building up debts during the year.

4.10 However, those businesses currently on the scheme and making only one payment a year could continue to do so if they wished, having successfully made the transition to a single annual payment.

Q4.4 Would this reform help to encourage take-up of the scheme?

A4.4

Q4.5 What size and frequency of interim payments would be most appropriate?

A4.5

4.11 The Government would welcome any other proposals on how best to encourage take-up of the annual accounting scheme, or any comments from those who still consider the scheme unsuitable for themselves or their clients.

Q4.6 Have you any other comments or proposals on the annual accounting scheme?

A4.6

5 Other Issues

5.1 The main focus of this document is on the proposals for a new VAT flat rate scheme and for enhancements to the annual accounting scheme. However, the Government welcomes other views from small businesses and other groups on ways in which the VAT system affects them, and on any other proposals which they feel could help them.

5.2 As part of this consultation, the Government would therefore welcome any other comments on the issues raised in this document.

Q5.1 Do you have any other comments on the issues raised in this document?

A5.1 ______________________________

A

FLAT RATE PERCENTAGES BY TRADE SECTOR

Table A1: Flat rate percentages proposed for different trade sectors

Percentage	Standard Trade Classification
5.0%	Food retailers (including Confectionary Tobacco and Newspaper retailers) Children's clothing retailers
6.0%	National Post
6.5%	Agricultural businesses not elsewhere listed
7.0%	Membership organisations Non food retailers Public houses Wholesalers of food and agricultural products
8.0%	Retailers of pharmaceutical, medical goods, cosmetics and toiletries Sporting and recreational businesses Retailers of vehicles and fuel Wholesalers not elsewhere listed
8.5%	Food manufacturers Libraries, archives, museums and other cultural activities Printers Vehicle repair businesses
9.0%	Packaging businesses Social workers Agricultural services
9.5%	Rental firms for machinery, equipment, personal and household goods Manufacturers of textiles and clothing
10.0%	Construction activities Forestry and fishing businesses Other manufacturing firms not elsewhere listed Mining activities Personal and household goods repair services Photographers Publishing companies Transport companies, including freight, removals and taxis Travel agents
10.5%	Hotels and accommodation
11.0%	Advertising firms Animal husbandry firms Manufacturers of fabricated metal products Investigation and Security companies All other traders not elsewhere specified Veterinary surgeons Waste and scrap dealers
11.5%	Estate agents and property management companies Secretarial services
12.0%	Entertainment companies excluding TV, video and film production companies Financial service providers Laundry services
12.5%	Business service providers not elsewhere listed
13.0%	Restaurants, takeaways and catering services Hairdressers Real Estate activities not elsewhere listed
13.5%	Computer repair services Management consultants
14.0%	Accountant and book-keepers Architects Lawyers and legal services
15.0%	Computer-providers and IT service-providers

B

SAMPLE VAT RETURN

H M Customs and Excise	**Value Added Tax Return** **For the period** **to**	For Official Use

Registration number | Period

Before you fill in this form please read the notes on the back and the VAT leaflet *"Filling in your VAT return"*. Fill in all b in ink, and write 'none' where necessary. Don't put a dash or leave any box blank. If there are no pence write **"00"** in the pence column. **Do not** enter more than one amount in any box.

For official use			£	p
	VAT due in this period on **sales** and other outputs	**1**		
	VAT due in this period on **acquisitions** from other **EC Member States**	**2**		
	Total VAT due **(the sum of boxes 1 and 2)**	**3**		
	VAT reclaimed in this period on **purchases** and other inputs (including acquisitions from the EC)	**4**		
	Net VAT to be paid to Customs or reclaimed by you **(Difference between boxes 3 and 4)**	**5**		
	Total value of **sales** and all other outputs excluding any VAT. **Include your box 8 figure**	**6**		00
	Total value of **purchases** and all other inputs excluding any VAT. **Include your box 9 figure**	**7**		00
	Total value of all **supplies** of goods and related services, excluding any VAT, to other **EC Member States**	**8**		00
	Total value of all **acquisitions** of goods and related services, excluding any VAT, from other **EC Member States**	**9**		00

If you are enclosing a payment please tick this box.

DECLARATION: You, or someone on your behalf, must sign below.

I, ... declare that the
(Full name of signatory in BLOCK LETTERS)

information given above is true and complete.

Signature .... Date ....

A false declaration can result in prosecution.

C Response Form

RESPONDING

This Annex is a response form that will make it easier to respond to the questions to be found in the main body of the document. It would ease analysis if responses were made on this form and returned to HM Customs and Excise by **31 August 2001**.

Alongside this form, you are welcome to provide any general views you may have on the proposals. In particular, Customs would welcome views about alternative forms of flat rate schemes that might better suit particular trade sectors.

The address to which to respond is:

Flat Rate Scheme Consultation
VAT Supply Division, Policy Group,
H M Customs and Excise,
4th Floor East, New King's Beam House
22 Upper Ground, London SE1 9PJ

Alternatively, you can e-mail responses to jack.warr@hmce.gsi.gov.uk

Please note that:

- **although all responses to this document will be considered carefully, responses will not be acknowledged individually;**
- **responses, and the names of respondents, may be quoted and made available to the public. If you do not wish this information to be made available in this way, please say so in your response.**

Q. 3.1 What do you think of these proposed accounting procedures?

A 3.1 ____

____

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Q. 3.2 What do you think of these proposed eligibility criteria?

A. 3.2 ____

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Q. 3.3 What do you think of the proposed flat rate percentages in general?

A. 3.3 ____

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Q. 3.4 Do you have views on the proposed flat rate percentages for any specific sector?

A. 3.4

Q. 3.5 Do you agree with this approach towards subsidiary and main trade categories?

A. 3.5

Q. 3.6 What do you think of these estimated compliance cost savings?

A. 3.6

Q. 3.7 Do you agree with this approach towards high value capital expenditure?

A. 3.7

Q. 3.8 Is the £2,000 level appropriate?

A. 3.8

Q. 3.9 What would be the best method of dealing with capital purchases where traders leave the scheme?

A. 3.9

Q. 3.10 What do you think of this approach to intra-community trade?

A.3.10

Q. 3.11 Are there any simpler ways of dealing with these transactions?

A. 3.11

Q. 3.12 What do you think of this approach to reverse charges?

A. 3.12

Q. 3.13 Are there any simpler ways of dealing with these transactions?

A. 3.13

Q. 3.14 Do these arrangements sound reasonable?

A. 3.14

Q. 3.15 What can be done to maximise participation in the flat rate scheme?

A. 3.15

Q. 3.16 Who do you think the biggest beneficiaries from this scheme would be?

A. 3.16

Q. 3.17 Are there other issues to be addressed about how the flat rate scheme would work in specific circumstances?

A. 3.17

Q. 3.18 If you are a business or represent businesses, would you participate or advise your clients to participate in the scheme? Why?

A. 3.18

Q. 4.1 Would this reform help to encourage take-up of the scheme?

A. 4.1

Q. 4.2 Should the reform be limited only to firms with turnover less than £100,000?

A. 4.2

Q. 4.3 How should the size of interim VAT payments due from newly-registered businesses be most accurately calculated?

A. 4.3

Q. 4.4 Would this reform help to encourage take-up of the scheme?

A. 4.4

Q. 4.5 What size and frequency of interim payments would be most appropriate?

A. 4.5

Q. 4.6 Have you any other proposals on the annual accounting scheme?

A. 4.6

Q. 5.1 Do you have any other comments on the issues raised in this document?

A. 5.1