

Reverse Charge VAT Changes

The UK Government are pushing legislation through that will significantly affect that way that businesses account for VAT when trading in certain electronic products (such as mobile phones, digital cameras, and computer chips). This new initiative to counter VAT fraud will mean that there will be a new VAT Rate associated with such goods. It is currently proposed that when these goods are sold it will be the buyer who will be responsible for accounting for the Output tax rather than the seller. This major change to VAT accounting is still subject to approval by the EU Commission but could come into effect as early as December this year.

Which businesses are affected?

Businesses buying and selling **any** of the following goods:

- Mobile Telephones
- Computer Chips/Microprocessors/Central Processing Units
- Electronic Storage Medium which may be used in, or in connection with, computers or any device above.
- Electronic Devices used for the storage, processing or recording of electronic data as follows:
 - Handheld devices for recording or playing of sound and or images.
 - Handheld Computers
 - Handheld Communication Devices other than Mobile Telephones
 - Positional Determination Devices for GPS systems
 - Games Consoles with screens or of a kind used with a television or computer.

You must be trading in values exceeding £1000 per transaction for this to apply.

What can you do to prepare?

You will need to know whether the customers that you trade with are VAT registered or not. The legislation only affects trade between VAT registered businesses. It would be worthwhile ensuring that you have the VAT Registration number of each of your customers and that this is entered against their record within your Access Accounts package.

Where can I get more information?

More details are contained in a HMRC Business Briefing Document (Ref: BB 10/06: 19 July 2006). This can be downloaded from the HMRC web site at www.hmrc.gov.uk

What happens next?

We are in communication with HMRC and as soon as the technical information is available we will be looking to make changes to our software to accommodate this major change. If you are running an older version of Access software then you will need to consider upgrading to the latest version to take advantage of the new features. We will be in touch, via the E-User News to give you more information.