

### **Flat Rate Scheme Issues**

Customs recently took a flat rate scheme user to Tribunal contending that the rate of VAT applied by them was understated because they were acting as a management consultant rather than within the category of "all other activity not elsewhere specified", which attracted a lesser rate.

Amongst the issues reviewed by the Tribunal, was the date from which the correct rate should apply (this was deemed to be from the date of discovery by HMRC) and also whether interest should be payable to the taxpayer on a returned deposit which was requested by HMRC as security.

The Tribunal confirmed that the taxpayer was indeed a management consultant, should apply the higher rate of VAT under its flat rate scheme.

*The flat rate scheme is a very useful VAT simplification mechanism for small businesses allowing VAT due to HMRC on supplies to be calculated by reference to a fixed percentage of the gross amount invoiced in the period. It is worthwhile reviewing that the correct description applies to your particular business as this will affect the amount of VAT paid/ recovered.*