

Retrospective application of Flat rate scheme*David Eric Burke V20881*

The taxpayer had been VAT registered since 1989 and had accounted for VAT under normal accounting until the period ending October 2007. In April 2002, HMRC introduced the flat rate scheme which would have allowed the journalist to account for VAT on 11 percent of turnover. As well as simplifying his accounting this would have saved the taxpayer over £20,000. During an HMRC visit in 2004 no mention was made of the availability of the scheme. He eventually became aware of the scheme and submitted a claim for overpaid VAT. HMRC refused to backdate the application of the scheme. The Tribunal Chairman allowed the appeal in part finding there were exceptional circumstances. The Chairman noted useful references in the C J Anderson case V20255 which referred to guidance issued to officers which states the scheme 'should be encouraged' and that the 'the scheme is an important response to the high level objectives of reducing compliance costs'. The Tribunal however limited the retrospective to three years.

Businesses should review their VAT accounting. VAT simplifications such as the flat rate scheme and cash accounting could be very beneficial.