

# Guidance Note 6

## Annex 3 - EXPENDITURE - VAT CODING AND RECLAIM

The advice given below is based upon practices followed recently by a local authority.

This guidance note offers general advice and guidance that should be helpful in structuring your discussion with VAT experts. The note is based upon expert advice given to a local authority's officers with an interest in external funding matters and should be read in this context. Whilst some content may not be applicable to your organisation the general tenet should be suitable for all sectors.

There are certain minimum requirements specified by the VAT regulations to which a VAT invoice must comply to be regarded as valid.

Input tax can only be recovered if the expenditure is **properly chargeable** to the organisation AND the supplier's invoice contains all the information listed below, if the invoice fails to comply with the requirements of a tax invoice the total value must be charged to expenditure.

However certain suppliers request payment on documents such as construction industry certificates, fee notes and pro formas, in such cases you should code the VAT to a 'suspense account', contact the supplier and request a tax invoice. Upon receipt of the tax invoice the VAT will be reclaimed.

If the invoice states "This is not a tax invoice", even though it complies with the requirements for a tax invoice in all other respects do not recover the VAT at the payment stage.

The supplier's invoice should always be used as a guide to assist with the identification of input tax, without a proper tax invoice any VAT which has been charged by the supplier cannot be reclaimed. When a VAT invoice is not obtainable the total value should be charged to expenditure and VAT code '0' used.

### Identification of a taxable supply

<i>Has VAT been charged?</i>	<i>Yes</i>	
Is the supplier VAT registered?	No	The VAT has been charged incorrectly - return invoice to supplier.
	Yes	Does the invoice meet all the requirements of a tax invoice? Yes - If the VAT charged is 17.5% use code 2; if % use code 5. No - Do not recover input tax use code 0; if over £10 you may write for a proper tax invoice.
<i>Has VAT been charged?</i>	<i>No</i>	
Is the supplier VAT registered?	Yes	If yes, but no VAT has been charged — the nature of the goods or service supplied will determine whether the supply is Exempt, Zero rated or Outside the scope, use the attached guide to help identify the correct VAT code.
	No	If No, use Code O for outside the scope of VAT; no further VAT issues need addressing.

## Requirements of a TAX INVOICE

A supplier's invoice must be held and contain the following detail:

- €# An identifying (invoice) number.
- €# The date of supply (known as the tax point).
- €# The date of issue (invoice date)
- €# The name, address and VAT registration number of the supplier.
- €# The name and address of the customer.
- €# The description the goods/services supplied.
- €# Quantities and amounts payable excluding VAT for each type of good/service supplied.
- €# The amount payable excluding VAT.
- €# The rate of discount offered (if any).
- €# Each rate and value of VAT charged.
- €# The total VAT charged.

Where payments are for £100 or less (including VAT) a less detailed tax invoice is acceptable for input tax reclaims; the details required thereon are as follows:

- €# The supplier's name and address.
- €# The supplier's VAT registration number.
- €# The date of supply.
- €# A description which identifies the goods/services.
- €# The charge made, including VAT.
- €# Each rate and value of VAT charged.

This also applies to receipts/invoices obtained for reimbursement through Petty Cash/Imprest Accounts.

## Further Information

Further information about VAT Rates and Codes can be found in **Guidance Note 6 - Annex 2** on Plymouth Informed Funding Guidance pages.

**REMEMBER TO CHECK THAT THIS GUIDANCE IS STILL CORRECT DURING YOUR DISCUSSIONS WITH YOUR VAT ADVISOR OR CUSTOMS & EXCISE.**

For more information visit the Customs & Excise website: <http://www.hmce.gov.uk/>

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