

**Fact sheet:
VAT Schemes**



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If used correctly by small businesses, the **Flat Rate Scheme** can reduce overall VAT payable, especially for traders subject to the lower Flat Rate percentages.

VAT Schemes Beneficial to Small Businesses

You can register for this as long as your projected turnover for the next 12 months does not exceed £150,000 excluding VAT. Your business can enjoy the benefits until your annual turnover exceeds £230,000 excluding VAT.

Cash Accounting allows you to defer payment of VAT added to your sales until the invoices are paid. This can have significant cash flow benefits for businesses with amounts owed from customers higher than amounts due to suppliers.

To register, your projected turnover must not exceed £1.35 million excluding VAT and you will not have to leave the scheme until your annual turnover hits £1.6 million.

Strategically, it is wise to consider registering for these schemes as your business commences trading when turnover limits will most probably be at their lowest. This is something your accountant should discuss with you.

For further information you can visit: <http://www.hmrc.gov.uk/vat/start/schemes/basics.htm>