

# VAT - Bad debt relief

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# VAT - Bad debt relief

It is quite possible within the VAT system for a business to be in the position of having to pay over VAT to HMRC while not having received payment from their customer.

Bad debt relief allows businesses, that have made supplies on which they have accounted for and paid VAT but for which they have not received payment, to claim a refund of the VAT by reference to the outstanding amount.

If you would like to discuss how we can assist you, please contact us on 01494 675321 or by email at [info@rousepartners.co.uk](mailto:info@rousepartners.co.uk)

## The conditions for relief

In order to make a claim a business must satisfy the following conditions:

- ▶ goods and services have been supplied and the VAT in question has been accounted for and paid
- ▶ six months has elapsed since the later of the date of supply and the due date for consideration, whichever is the later
- ▶ all or part of the outstanding amount must have been written off in the accounting records as a bad debt (in the 'refunds for bad debts account').

## Making the Claim

A claim is made by entering the appropriate amount in Box 4 of the VAT return for the period in which entitlement to the claim arises (or any permissible later period).

## Records

Businesses making bad debt relief claims must keep records for four years from the date of the claim to show:

- ▶ the time and nature of supply, purchaser and consideration - normally a VAT invoice will show this
- ▶ the amount of VAT and the accounting period it was paid to HMRC
- ▶ any payment received for the supply
- ▶ details of entries in the 'refunds for bad debts account'.

## Repayment of Input Tax by Purchaser

Where a customer has not paid a supplier within six months of the date of the supply or, if later, the date payment is due, VAT previously claimed as input tax, must be repaid. This puts a burden on all VAT registered traders to monitor their transactions to anticipate whether they need to reverse any input tax recovered on goods received from suppliers.

### How we can help

We would be pleased to help with further advice in this area. Our specialist tax team are able to assist you in a range of tax areas, including tax claims. Contact our team for further information.

# Trusted advice, *imaginative solutions.*

It's the old adage that all accountants are the same, but ask yourself this; what kind of service would most add value to your personal or business position? In our opinion, the quality of advice and service is what separates a good accountant from a great one. This is where Rouse Partners can make a difference for you.

Our award-winning team make it their business to get to know you and your specific needs. Whether your goal is to grow your business, increase your personal wealth or improve your work-life balance, by understanding your challenges, we will address them together.

We also know how important it is for you to have a team that you can rely on for timely advice and reassurance. At Rouse, our people are our most important asset and we will select team members who offer an optimum mix of experience, specialism and knowhow. From your Partner, to your Tax Advisor, each team member will be accessible to you or your team and be proactive in seeking solutions.

At the heart of our way of working is a determination to think differently, to challenge the 'status quo' and to ask 'what if?'. Whether you are facing a complex tax, accounting or management situation, we are ready to find a solution.

Contact us today to discuss how we can support your personal or business tax needs:

t: 01494 675321

e: [info@rousepartners.co.uk](mailto:info@rousepartners.co.uk)

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