



Cash Accounting for VAT

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If you have always thought that cash accounting would be a good idea for you but thought it was not available for your business it might be time to think again. For many businesses the ability to be able to pay monies over to HM Revenue & Customs only when your customer pays you is a valuable one. The problem for most businesses is that they did not qualify as their turnover was too large to use the cash accounting scheme.

A recent change saw the turnover limit rise from £660,000 to £1.35M. Whilst this still limits the number of businesses than can use the scheme it does open it up to many more than previously. Once in the scheme there is a 25% tolerance and so turnover can then go up to £1,687,500 before you would have to cease using the cash accounting method. The downside to the scheme is that input tax cannot be recovered until the supplier is paid.

If you still cannot use the cash accounting scheme you should at least ensure that you get relief for output paid over where your customer takes over 6 months longer to pay you than he or she should. The Bad Debt Relief scheme can be used to ease the burden in such cases.

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