

VAT

Bad Debt Relief: Creditors

The rules for Bad Debt Relief have been changed.

Since 31st December 2002 there has been **no** requirement to notify the customer of a reclaim, but if the supplies were made between 26th Nov 1996 and 31st Dec 2002 to a VAT registered customer, a letter of notification is still required. This letter must detail, the date of the notice issued, the date for the bad debt relief claim, the VAT invoice details.

For recent transactions the supplier no longer has to write to the customer informing them that the amount outstanding (including the VAT) is being written off and the VAT is being claimed back.

Instead the HMCE expect that all Creditors more than 6 months old will automatically have the VAT repaid, and the documentation adjusted.

When a VAT inspection takes place, the inspector will be specifically looking for long term unpaid invoices that have had the VAT claimed on the,

The new Sage line 50 interrogation disc used by the VAT inspectors will also highlight invoices within this category.

It is important where there is a dispute over payment, that the VAT has either not be accounted for at all (Cash accounting), or has been repaid to HMCE after 6 months.

Fines and penalties are payable.