
Autumn Statement Anti Avoidance 2016 Measure VAT Flat Rate Scheme

An anti-avoidance measure will be included within the Flat Rate Scheme.

A new 16.5% rate will apply from 1 April 2017 for businesses with limited costs, such as many labour-only businesses, using the Flat Rate Scheme. Businesses using the scheme, or considering joining the scheme, will need to decide if they are a *“limited cost trader”*.

A *“limited cost trader”* will be defined as one whose VAT inclusive expenditure on goods is either:

- ***less than 2% of their VAT inclusive turnover in a prescribed accounting period***
- ***greater than 2% of their VAT inclusive turnover but less than £1,000 per annum if the prescribed accounting period is one year (if it is not one year, the figure is the relevant proportion of £1,000)***

There will be exclusions from the calculation to prevent attempts to inflate costs above 2%.

Were we prepare and submit your VAT returns, we will be reviewing your position over the next few months and will advise you accordingly as to your options, although we understand that on 5th December there will be further information provided by HMRC.

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