



If you are a small business owner struggling with the complexities of VAT reporting, the VAT Flat Rate Scheme (FRS) might be a game-changer for you. Designed with simplicity in mind, the scheme allows businesses with an annual turnover of up to £150,000 (excluding VAT) to pay a fixed percentage of their turnover as VAT, instead of tracking and reclaiming VAT on every purchase and sale.

Why consider the Flat Rate Scheme?

Simplicity: The FRS significantly reduces paperwork and admin time. Instead of painstakingly calculating VAT on every sale and purchase, you apply a fixed rate (determined by your business sector) to your gross turnover.

Cost-Effective: For many businesses, the flat rate can lead to a lower overall VAT payments. You also get to keep the difference between what you charge customers (20%) and the flat rate you pay to HMRC.

Cash Flow Boost: If you first join the scheme during your first year as a VAT-registered business, you may be eligible for a 1% discount on the flat rate for the first year, offering an added financial benefit.

Is it right for your business?

While the FRS offers many advantages, it's not for everyone. Businesses that frequently purchase goods and incur high VAT on expenses may not benefit as much. It's crucial to crunch the numbers before committing to the scheme.

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The flat rate that you apply to your turnover varies according to the market sector you trade within. For example, pubs can use a 6.5% rate, but computer and IT consultancy businesses would need to use a 14.5% rate.

Take advice

To join the scheme, you would need to make a formal application to HMRC and before you do this, you should step back and estimate the cash effects and time aspects. The FRS does not suit every small business, but for those that do benefit, the savings in time and increase in profit (if there is a positive difference between the VAT added to sales invoices and the flat rate used) are worth considering.

We can help

If you would like to consider the FRS for your business, please call us on **01753 888 211** or email **info@nhllp.com**. We can quickly determine if there are overall benefits for you to adopt the FRS scheme.

And if you determine the FRS is not for you, but you know someone who may benefit, please send them a copy of this alert. We would be delighted to help them decide if the FRS is suitable for their business.