



## INVOICES AND VAT – ARE YOU GETTING IT RIGHT ?

### BACKGROUND

- Businesses that are registered for VAT need to take care to ensure that the basic HMRC VAT requirements are being met on **ALL** invoices:
  - that they issue to their own Customers **AND**
  - that are received by them from **their** Suppliers
- Failure to do this correctly could result in issues either for you (or your Customers) in respect of reclaiming the VAT that has been charged, on one or more of your VAT returns !
- With most businesses now raising Sales invoices directly from their accountancy software e.g. Xero, Quickbooks etc., you would normally expect that this should ensure that most of the required VAT information is included as standard – **but this is NOT always the situation !**

### WHAT IS THE KEY INFORMATION ON A 'VAT' INVOICE ?

- So what is the information that **MUST** be on each 'VAT' invoice to avoid any issues on reclaiming VAT i.e.
  1. A **unique reference (or invoice)** number
  2. Your **business name, address and contact** information
  3. The company name, address of your **Customer**
  4. A clear **description of the services or products** that have been purchased
  5. The date that the services or products were provided (**supply date**)
  6. The **date of the invoice** (if different)
  7. The **amount(s)** being charged for the services or products
  8. The **VAT amount**
  9. The **total amount** to be paid
- Additionally for a Limited company the following **MUST** also be included on an invoice:
  1. The **full company name** (as it appears on the Certificate of Incorporation)
  2. The **company registered office address** (if it is different to the business address)
- **Please Note** - that although the names of **all the directors on the limited company** are **NOT required**, these are generally included on the bottom of the invoice !
- Therefore, from our experience, there are a few simple steps that are required to ensure that your business is in compliance with the basic VAT requirements
  - if not already setup and configured, once the business is VAT registered, review and/or update the Xero/Quickbooks settings
  - as changes occur within the business, remember to update the Sales invoice template (or templates) accordingly e.g. address, contact details etc.
  - either include a check on NEW Suppliers to check that the company information AND VAT number is valid, or include a periodic check of your Supplier details



## SIX (6) VAT INVOICES ISSUES REQUIRING SOME CONSIDERATION !

- Once you are satisfied that the basic **'VAT'** invoice requirements are in place, what are the other **'common'** ad hoc or trading issues that can cause problems with VAT on invoices– **and require additional consideration or review to ensure VAT returns are accurate ?**
  1. **Disbursements** – the recharge of costs to a Customer on their behalf and/or as part of delivering the product or service i.e. the occasions when VAT **should/should NOT** be included on the invoice
  2. **'Reverse Charge'** – for those operating within the Construction sector, the introduction of the Domestic **'Reverse charge'** i.e. this has added more complexity to whether VAT **should/should NOT** be charged on an invoice in various circumstances
  3. **Inaccurate Input VAT** – there can be circumstances where VAT has been charged incorrectly by a Suppliers to their Customer(s) e.g. a Supplier is **NOT VAT registered**, but includes VAT on their invoices – **YOU cannot reclaim this VAT !**
  4. **Irrecoverable VAT** – for **ALL** businesses, VAT charged on personal expenditure or client entertainment related costs needs to be correctly identified and then adjusted so as **NOT** to be reclaimed
  5. **Pro forma invoices**– for those operating in the sectors such as Interior Design etc., it is not unusual to receive **'pro forma'** invoices ahead of the receipt of delivery – with the final VAT invoice only being received at a later date. A pro forma invoice is **NOT** a VAT invoice and on a strict basis, the VAT **CANNOT be reclaimed**.
  6. **Importing from the EU** – when goods are imported from the EU, there are (many) new rules that determine how VAT needs to be reflected for 'reverse charge' and 'paid on import' purposes.

If you have concerns around how your invoices are being issued, what VAT is being charged or what input VAT is being claimed on your VAT returns, feel free to speak to any of the SAKURA Team !

**Contact us if you want to discuss any VAT issues (or Xero and Quickbooks setup or invoice templates) on 0207 952 1230 or at [damian@sakurabusiness.co.uk](mailto:damian@sakurabusiness.co.uk)**