

Introduction

There are a number of VAT accounting schemes that can be used as an alternative to the standard methods of accounting for VAT by a VAT-registered business. These VAT accounting schemes can help certain types of business save time and money.

The VAT margin schemes are specifically for businesses that deal in second-hand goods, works of art, antiques and collectors' items. VAT margin schemes tax the difference between the amount paid for an item and what it is sold for, rather than the full selling price. VAT is paid at 16.67% (one-sixth) on the difference.

This factsheet explains what the VAT margin schemes are and how they can be used.

What do the margin schemes cover?

The VAT margin schemes can only be used for transactions involving certain eligible goods. These include:

- **Second-hand goods.** Goods that are not new, but can still be used, or repaired for use.
- **Works of art.** Most items normally described as 'works of art' are eligible. There are some exceptions, for example technical drawings, scenery for theatres and hand-decorated manufactured items.
- **Antiques and collectors' items.** Antiques are goods that are over 100 years old. Collectors' items are stamps, coins and currency and other pieces of scientific, historical or archaeological interest. Not all items that can be collected are eligible for a margin scheme.

The VAT margin schemes cannot be used for any items a business has bought and was charged VAT, as well as for precious metals, investment gold, and precious stones.

For items and transactions that aren't eligible for VAT margin schemes, it is possible to continue to reclaim VAT via the standard VAT accounting scheme.

Record-keeping

VAT records must be kept when using a VAT margin scheme, and must show any goods bought or sold under a scheme on the VAT return. In addition, it is necessary to keep a stockbook, which should be used to record information about each item for which a scheme will be used. The information required in a stockbook includes:

- Date of purchase, purchase invoice number, purchase price, name of seller, description of the item.

- Date of sale, sales invoice number, sale price or method of disposal, name of buyer, margin on sale (sales price less purchase price), VAT due (16.67% or one-sixth).

HM Revenue & Customs (HMRC) provides the following example to calculate the VAT due on a work of art that was bought for £1,500 and sold for £2,000. Using a margin scheme, VAT is payable at 16.67% (one-sixth) on the difference which is £500. This means the VAT payable is £83.33.

The invoice requirements under the margin scheme are different to the general VAT invoice requirements. Businesses using the margin scheme must have an invoice from the seller and a copy of the invoice given to the buyer when the item was sold.

The invoice from the seller must include:

- Date when the item was bought.
- Seller's name and address.
- The name and address of the buyer.
- The item's unique stockbook number (if the item was bought from another VAT-registered business).
- Invoice number (unless the buyer made out the purchase invoice).
- Item description.
- Total price - no other costs must be added to this price.
- If the item was bought from another VAT-registered business, any of the following: 'margin scheme - second-hand goods', 'margin scheme - works of art' or 'margin scheme - collectors' items and antiques'.

The buyer must be given an invoice that includes:

- Date of the sale.
- The seller's name, address and VAT registration number.
- The buyer's name and address, or that of their business.
- The item's unique stock book number.
- Invoice number.
- Item description.
- Total price, which must not show VAT separately.
- Any of the following: 'margin scheme - second-hand goods', 'margin scheme - works of art' or 'margin scheme - collectors' items and antiques'.

Exceptions

There are different rules if a business is selling:

- Second-hand vehicles.
- Horses and ponies.

- Houseboats and caravans.
- Items that have been pawned.
- High-volume, low-price items.

There are also different rules for auctioneers, agents, businesses buying and selling goods in Northern Ireland and the EU, works of art, antiques or collectors' items imported from outside the European Economic Area (EEA) and works of art bought directly from the creator or their heirs.

Go to www.gov.uk/vat-margin-schemes for more information.

Further information

BIF045 VAT Returns and Payments

BIF234 An Introduction to VAT (Value Added Tax)

BIF506 VAT Retail Schemes

'VAT Margin Schemes'

HMRC

www.gov.uk/vat-margin-schemes

Useful contacts

HMRC is the government department responsible for the collection of tax. It also provides information and advice to individuals and businesses.

0300 200 3700 (VAT: general enquiries)

www.gov.uk/government/organisations/hm-revenue-customs

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