

FACTSHEET 3

Bad Debts : How Do I Claim Vat Relief ?

If you are a Vat registered business , not on the Cash Accounting Scheme , and you have made supplies of goods or services to a customer but have not been paid for them then you may be able to claim Vat bad debt relief , provided certain conditions are met .

Where a customer fails to pay for supplies within a period of six months from the due and payable date then Vat relief can be claimed . Such a claim must be made within three years and six months of the later of the date on which the consideration became due and payable and the date of the supply . The claim is made by adding the Vat relief claimed to the input Vat on the current Vat Return .

For supplies made prior to 1 January 2003 the claimant had to notify the purchaser ; a formal notice had to be sent to the purchaser containing details of the date of the notice , the date of the claim , details of the invoices in question , the amount of each supply written off and the amount of the claim .

The Evidence You Require

As the claimant you must hold the following evidence in respect of which a claim is made :

- A copy of the Vat invoice
- Proof that you have accounted for and paid the Vat to Customs
- Evidence that you have written the bad debt off
- Details of the Vat return period in which the output tax was originally accounted for
- Details of any payments received against the relevant invoices
- A copy of any notice given to the customer (if applicable) .

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Subsequent Payment By The Customer

If this occurs and you have already claimed and received the relief then the relevant output Vat becomes repayable to Customs , to be treated as if it were output Vat of the Vat return period in which the payment is received . Where the customer subsequently only pays you a part of the total debt due then your repayment to Customs should be calculated on a proportionate basis .

For further advice and before taking any action please give me a call .

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