

## STEPHENS & SON PROVIDES VAT GUIDANCE FOR TENANTS

### VAT Rate Change

The temporary VAT rate change from 17.5% to 15% took effect on Monday 1<sup>st</sup> December and Stephens & Son LLP, the leading law firm based in North Kent, is providing advice tenants of commercial premises who should not miss out on a rare opportunity to claim tax relief from the Exchequer.



Tenants of commercial premises usually pay rent in advance on a quarterly basis. The usual quarter or due days are the 25<sup>th</sup> March, 24<sup>th</sup> June, 29<sup>th</sup> September and 25<sup>th</sup> December in each year but these can vary. We are now in the September quarter period. While quarter days may differ it is likely that if a tenant has paid rent in advance on a quarterly or even longer basis, some rent will cover the tax change.

Tenants of commercial premises may have an opportunity to save tax where rent has been paid in advance as long as it covers the VAT rate change period. This only applies where the landlord has “opted to tax” and charge VAT on rents and the tenant is not registered for, or cannot otherwise recover VAT.

The tenant will need to ask if the landlord will agree to apportion the rent and apply the new VAT rate from 1<sup>st</sup> December 2008 and the landlord may need to issue a credit note. The landlord does not have to agree to this but where the VAT difference is significant the landlord may want to assist tenants. Landlords in this case would want to credit any

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over payment of VAT to the next quarters rent, or make a refund if the lease is coming to an end.

Other than in cash flow terms, this change in duty will not affect a tenant if they are registered for, and recover VAT, and at lower levels of rent the difference will not be enough to warrant the additional work. However, tenants who are paying significant levels of rent may find the exercise worthwhile.

However, the advice for all tenants paying VAT on rent is that they should check that the correct level of VAT is shown on the next invoice after 1<sup>st</sup> December 2008.

The real winners from the VAT reduction will be investors, businesses or anyone with money to spend on a freehold commercial property. For example, a commercial property selling at £125,000.00 with VAT payable on top will now benefit from the 2.5% reduction in duty by paying £3,125.00 less to the Exchequer.

For further information refer to the H M Revenue and Customs Guide

## **VAT – CHANGE IN THE STANDARD RATE: A DETAILED GUIDE FOR VAT-REGISTERED BUSINESSES**

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