



**KPB Monarch Ltd**

Dear Contractor,

Recently we have had a VAT inspection for a client, a 'contract driver'. As you may be aware we do not endorse haulage drivers being VAT registered as you do not earn sufficient money each year to reach the threshold (£85,000 per year).

**The inspection clarified a couple of points for us that we already suspected.**

1. The need for cost of sales and purchases is a paramount issue for VAT, underlining Input and Output VAT.
2. A business should only enrol for VAT once the threshold has been breached.

Because you will never reach the threshold of £85,000; you elect to be on the 'Flat Rate Scheme' and having no Cost of Sales or Purchases the company or individual is seeking to profit from the registration.

The Flat rate scheme is a loophole for contractors to receive the benefits of the percentage applied without reporting their non-existent input VAT.

VAT inspectors will ask more detailed questions than we have pointed out above.

Expenses incurred by compulsory VAT inspections are outside our fees so therefore we are unable to facilitate or host these if and when they occur.

We will gladly supply all the information you will need, Bank statements and invoices, but we will not hold the inspection at our office. Due diligence suggests that it should be held at the trading address of the company. Further to this, the inspector would wish to visit the trading premises to ensure additional incomes were not observed. This only underlines our decision not to be involved in these inspections. It is your sole responsibility as the director of the company which is VAT registered to host the inspection at the trading premises.

Yours Sincerely

Practice Manager

Paul King ICPA