

Money Matters

A series of weekly articles by Quintas Experts

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MANAGING TAX

How to improve cash flow!

It is challenging times for businesses and managing tax is something which all business owners should ensure they are treating in a pro-active manner.

Furthermore, this may be a good time to consider whether VAT accounting processes can be optimised to give greater efficiencies. Detailed below are areas which should be reviewed by all traders to ensure they are maximised.

VAT return filing frequency

Businesses may be able to change the VAT due dates in their favour by changing the frequency of the VAT return. Depending on your total VAT payment, the following are the frequency thresholds:

- Quarterly returns - total VAT payments between €3,001 and €14,400 per annum.
- Bi-annual returns - total VAT payments of less than €3,000 per annum.
- Annual returns - where a trader pays their VAT liability via monthly direct debit.

Care needs to be taken with this option, as where a shortfall arises of more than 20% of the annual VAT liability, interest will be charged by the Collector General. Currently the Interest rate on VAT is 0.0274% per day.

Cash receipts basis

Currently some traders may be accounting for VAT on an invoice basis. In this scenario, VAT must be paid to Revenue regardless of whether the debtor has paid or not. This can place a heavy cash flow burden on businesses.

Some traders may find that with decreased sales they have become eligible to account for VAT on a cash receipts basis, where their annual turnover has fallen to less than €1,000,000 or where at least 90% of sales are to non VAT registered persons or businesses.

Deregistration

It is also possible that a traders turnover may actually fall below the VAT registration threshold which is currently €37,500 per annum for services and €75,000 per annum per goods. However before deregistering, an exercise is normally carried out by an Accountant to establish whether the trader would actually be better off VAT registered in order to reclaim the VAT on purchases.

VAT refunds

It is surprising how many businesses entitled to VAT refunds do not apply for them on a timely basis. There is an obvious cash flow advantage in obtaining a VAT refund due as early as possible.

Bad debt relief

Unfortunately bad debts are becoming more and more common and it is important from a VAT perspective to ensure that where the conditions are satisfied, bad debt relief is claimed.

It is critical for most businesses right now to improve cash flow and reduce exposure to risk. VAT is an area where changes may be possible and so a review of your accounting systems with the above in mind may assist with improving your cash flow.

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