

VAT rise could go further warns Southampton Tax Expert

WHEN VAT rates go back up to 17.5 per cent on January 1, it could signal a further rise in the tax on goods and services.

Britain lags behind the rest of Europe where the average VAT rate is 19.8 per cent and as the Government casts around for ways to balance the books, raising VAT to 20 per cent could be seen as the most palatable solution, explained Julian Sims, tax director at HJS Solutions.

Julian said now was a good time to take advantage of the current 15 per cent rate especially if you were planning building work at home, or considering a major purchase like a car for example.

"We all have a chance to save a bit of money in the run-up to Christmas but my feeling is that we should prepare for things to get a bit tougher next year.

This is a short-term opportunity to maximise the value of the money in your wallet"

It is estimated it cost businesses £175m to introduce the reduced rate and will cost a further £125m to put it back up to 17.5 per cent and Julian questioned whether the move had stimulated the economy in the way the Government hoped it would.

"it gave everyone a lot of administrative work to manage the reduction and now they have to manage it back up to the original rate of 17.5 per cent.

But in the end I'm not sure that changing the VAT level had the desired effect."

The Pre-Budget Report is expected in November and Julian said there was still a great deal of uncertainty as to what the Chancellor can be anticipated to reveal.

"I can't imagine there will be any big announcements this side of an election.

But we should be prepared for changes after May – and in particular it seems there will be more done to catch those who are abusing the tax system."