

Guide to...VAT CODES



$$\text{VAT Due} = \text{Output VAT} - \text{Input VAT}$$

20%

20% STANDARD
RATE FOR VAT

You usually charge standard rate of VAT (currently 20%) on most goods & services.

Use standard rate unless the goods and services you sell are classed as reduced or zero-rated.

E

EXEMPT RATE
VAT

Some goods and services are completely exempt from VAT.

These include services from doctors and dentists, education and training, insurance, bank charges, postage and stamps.

5%

5% REDUCED
RATE
VAT

You charge the reduced VAT rate at 5%.

This applies to goods and services like some health products, fuel, heating and car seats for children.

0%

ZERO RATE
VAT

Zero-rated goods and services include most food, books and clothes for children.

Other examples include, travel, parking, subsistence, subcontractors (who aren't VAT registered).

N/A

NO VAT

Some goods and services are outside the VAT tax system ('out of scope') so you cannot charge or reclaim VAT.

E.g. payments to HMRC, drawings/dividends by directors/shareholders, wages, pension payments.

The No VAT code doesn't show up on the VAT return.