

Automotive

## DEALER SPECIFIC VAT HEALTH CHECKS

Unlike your annual audit process, there is no statutory requirement obligating a business to review its VAT affairs.

More often than not dealership groups employ the services of a VAT specialist once a HMRC enquiry is under way, which is typically a 'defensive' engagement as opposed to a proactive one.

Through our extensive sector experience, we understand the financial affairs of dealership groups, and we therefore know the areas HMRC are focusing on at any given time.

In our full or half-day health checks we will:

- Consider the 'known' risks such as partial exemption calculations and the incorrect invoicing of negative equity deals;
- Evaluate the operation of your margin scheme transactions and the use of demonstrator cars by staff; and
- Review the application of the correct rate of VAT for all of your invoices.

We will also review the overall VAT compliance within your business to give you comfort that every aspect is covered.

Aside from having a true sector specialist reviewing your VAT affairs, the real value comes in the form of our end report which, in a concise manner, will highlight your key areas of risk and our recommended actions to remedy them.

In a number of cases we have gone on to assist dealership groups in the creation of group VAT policy

documents to align and control the group's VAT processes and, where necessary, help implement any changes at ground level.

The bottom line is that a small amount of proactivity in independently verifying and understanding your VAT affairs will save you potentially significant and unnecessary costs further down the line.

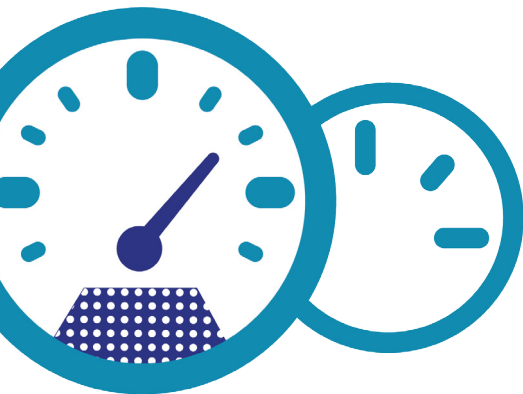
**We have carried out a range of VAT health checks for clients in the automotive sector, ranging from half day workshops to in-depth reviews. The reviews include investigating areas such as:**

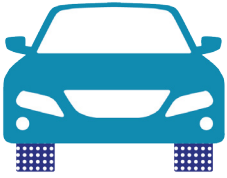
- Zero rated sales to disabled people
- Zero rated exports
- Sales within the EC
- Value implementation
- Treatment of commercial part exchange vehicles
- VAT liability of add on services
- Plug in government grants
- The second hand margin scheme/ non qualifying cars
- Partial exemption
- Demonstrator cars
- Other general compliance issues.

Two examples of how we have helped our clients are outlined overleaf.

"Having met the UHY team it became obvious of their deep knowledge and contacts throughout the sector. They assisted us with the disposal of our Land Rover business and guided us through the process, adding significant value due to their expertise."

Mike Edwards  
Finance director  
TH White Limited





VAT compliance represents one of the greatest tax risks to a motor retail business.

### TWO DAY VAT REVIEW

Carried out an in-depth two day review of a multi-site dealership in the South West. The review included:

#### PRIOR TO THE REVIEW

- Reviewed Kerridge reports and selected specific deal files to investigate further.

#### DAY 1

- Explored selected deal files to ensure they were correct in accordance with VAT requirements.

#### DAY 2

- Interviewed the finance directors of each site to ascertain their level of knowledge with regard to VAT.
- Discussed findings from Day 1 with the Head of Finance.
- Ran a training session for the finance directors, highlighting weaknesses and areas for improvement.

#### FOLLOW UP

- Delivered a full written report that listed all issues identified, how issues should be dealt with going forward and the level of risk associated to a specific issue.

#### THE OUTCOME

On completion of the review, the client had a good understanding of where they were at from a VAT compliance point of view, where there were weaknesses, what areas HMRC look at and what they are likely to pick up on their next VAT inspection. As a result, the client was able to amend any errors, either by way of a voluntary disclosure or by amending the next VAT return (if the error is less than £10k), preventing HMRC from finding the error on their next visit and the client incurring a penalty of up to 30%.

### SINGLE DAY VAT WORKSHOP

Held a VAT workshop for single-site dealership in the South East which covered the main VAT issues affecting the industry. The workshop included:

#### PRIOR TO THE WORKSHOP

- Reviewed Kerridge reports for the previous six months and selected specific deal files to discuss on the day.

#### THE WORKSHOP

- Ran a structured discussion around the file reviews, including the contents of the deal file and whether or not it met HMRC requirements.

#### FOLLOW UP

- Provided a document containing all issues discussed on the day, highlighting risk areas and outlining what HMRC's requirements are.

#### THE OUTCOME

On completion of the workshop, the finance team had a sound understanding of the VAT issues within the industry. Any issues were highlighted and the correct VAT treatment discussed. On receipt of the follow up document, the client knew where they were at from a VAT compliance point of view, what areas HMRC look at and what HMRC are likely to pick up on their next VAT inspection. Since the workshop, we have worked with the client to try and correct some of the errors to minimise the VAT loss to the business.

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### THE NEXT STEP

If you would like further information about our VAT health check service, please contact one of our automotive specialists at your nearest location. You can find details of your local expert on our website at [www.uhy-uk.com/automotive](http://www.uhy-uk.com/automotive).

