

Wholegoods or Vehicles in the UK

When ordering a 'machine' or like wise receiving a 'Trade In', the "Wholegood Type" needs completing with either **Wholegood** or **Vehicle**.

The "Vehicle" option is used for the sale and stocking of new and used cars. The processing of vehicles is essentially the same as for Wholegoods, however, it is important that cars are categorised correctly as "Vehicle".

There are 2 basic differences in the way vehicles are handled as distinct from Wholegoods both of which involve VAT. The key to using the correct VAT calculation comes from answering the question '**Qualifying**' Yes/No.

1. VAT Calculation for Second Hand Cars – Qualifying 'No'

Used where the customer is not accounting for the VAT element of the purchase and you are using the Second Hand Margin VAT scheme. At the time of receipt there is no accounting for the VAT on the purchase. At the time of sale, VAT is worked out on the difference between the purchase value and the sale value and the liability is based on this margin figure.

VAT for second hand cars is calculated based on the margin between the trade-in price and the VAT Inclusive selling price. For example, if the selling price of the vehicle is £3000 and the value of the Trade-In is £2000 the margin is a vat inclusive amount of £1000. The VAT liability will be £148.94. Second hand cars must be sold through an invoice type with the correct program code "Used Car Sales".

Invoices for second hand cars are shown as a VAT Inclusive Price however, VAT is not shown on the invoice. VAT Code 8 should be set at 17.5% and records all second hand vehicles sales relating to non-VAT registered customers.

2. Qualifying Cars for VAT Purposes – Qualifying 'Yes'

The customer providing the 'Vehicle' is VAT registered and you can claim the VAT on the purchase **immediately**. I.e. normal VAT Accounting.

The software also caters for the sale of second hand cars, which are "qualified" i.e., full input VAT has been reclaimed. In this instance the re-seller charges VAT on the full value of the sale.