

Information Briefing for the Profession

September 2001

**Solicitors firms and overpayment of VAT**

*Some solicitors have been overpaying VAT due to the way they have treated VAT due on their legal aid payments. This briefing provides further information and an example of how an overpayment may have occurred. This information should be passed to the solicitor firm's finance staff or accountant.*

**1 How overpayment of VAT may have arisen**

HM Customs and Excise and the Board wish to make solicitors aware that they may have overpaid VAT due to the way some solicitors have been treating the VAT payable on their legal aid payments.

We understand from HM Customs and Excise that the overpayment has occurred in cases where more than one payment has been received from the Board. Some firms have been failing to readjust the VAT Account for the VAT already paid on earlier payments.

**2 Worked example**

The following example illustrates the potential error which in this example, may have led to an overpayment of £175. Appendix 1 provides an example of how a statement would have looked.

**A Fund payment reported to solicitor (as interim payment)**

	Fees £	Outlays £	Total £	Deductions £	Net Total £
Criminal	800	200	1000		1000
VAT	140	35	175		175
	<u>940</u>	<u>235</u>	<u>1175</u>	0	<u>1175</u>

**B Fund payment reported to solicitor (as final payment)**

	Fees £	Outlays £	Total £	Deductions £	Net Total £
Criminal	1200	320	1520	1175	345
VAT	210	56	266		266
	<u>1410</u>	<u>376</u>	<u>1786</u>	<u>1175</u>	<u>611</u>

**C Correct interpretation of B above so that it reads**

	Fees £	Outlays £	Total £	Deductions £	Net Total £
Criminal	1200	320	1520	1000	520
VAT	210	56	266	175	91
	<u>1410</u>	<u>376</u>	<u>1786</u>	<u>1175</u>	<u>611</u>

**D Total ( A + B )**

	Fees £	Outlays £	Total £	Deductions £	Net Total £
Criminal					1345
VAT					441
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1786</u>

**E Corrected total ( A + C )**

	Fees £	Outlays £	Total £	Deductions £	Net Total £
Criminal					1520
VAT					266
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1786</u>

**F Effect of error (fees understated and VAT liability overstated)**

	Fees £	Outlays £	Total £	Deductions £	Net Total £
Criminal					(175)
VAT					175
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

### **3 Claiming repayments**

HM Customs and Excise wish to make the claiming of any repayments due as straightforward as possible. The correct method for claiming back such overpayments is by Voluntary Disclosure. This can be done by using form VAT 652, or since use of the form is not compulsory, providing the same information as the form requires. The forms may be obtained from and the disclosures should be submitted to the following offices, depending on your local VAT office:

- ***Edinburgh or Dundee local VAT office:***  
HM Customs and Excise, Voluntary Disclosures, Edinburgh VAT Office, 44 York Place, Edinburgh EH1 3WZ.
- ***Glasgow local VAT office:***  
HM Customs and Excise, Voluntary Disclosures, Glasgow Business Centre, Portcullis House, 21 India Street, Glasgow G2 4PZ
- ***Aberdeen local VAT office:***  
HM Customs and Excise, Voluntary Disclosures, Aberdeen VAT Office, Custom House, 28 Guild Street, Aberdeen AB9 2DY.

### **4 Further information**

If you wish to investigate if your firm may have overpaid VAT, you should circulate this information to your finance staff or accountant.

If you wish further information or have any queries you should contact your local HM Customs and Excise VAT office.

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## THE SCOTTISH LEGAL AID BOARD

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### FINANCE DIVISION

SOLICITOR FIRM  
NAME  
ADDRESS  
ANYTOWN

*Please ask for extension number*

*Your ref:*

*Please quote the department above*

*and our*

*reference: 20010/1*

## EXAMPLE ONE

**Fund payment reported to solicitor (as interim payment)**

### FUND PAYMENT 31/9/2001 Summary of Payment to Firm 20010 Account Point 1

	Fees £	Counsel	Outlays £	Posts	Total £	Deductions £	Net Total £
Civil	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VAT	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Civil	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Criminal	800.00	0.00	200.00	0.00	1000.00	0.00	1000.00
VAT	140.00	0.00	35.00	0.00	175.00	0.00	175.00
	940.00	0.00	235.00	0.00	1175.00	0.00	1175.00
A&A	0.00	0.00	0.00	0.00	0.00	0.00	0.00
VAT	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total A&A	0.00	0.00	0.00	0.00	0.00	0.00	0.00
All cases	800.00	0.00	200.00	0.00	1000.00	0.00	1000.00
VAT	140.00	0.00	35.00	0.00	175.00	0.00	175.00
Grand Total	940.00	0.00	235.00	0.00	1175.00	0.00	1175.00

Payment was made on 31/9/2001

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