

Dear Customer,

VAT Flat Rate Scheme - Are you using the right sector?

HMRC wants to support customers to get their tax right.

We're writing to remind you that you should be using the appropriate trade sector when calculating your flat rate percentage. You can find the [list of trade sectors](#) on GOV.UK and additional help can be found at [VAT Notice 733](#).

If you have very low costs of goods, you may need to use a different percentage. You can find out more about the 'Limited Cost Trader calculations' in the [VAT Notice 733](#) paragraph 4.4. There is also further guidance available on sectors where labour is the main supply, such as 'general building or construction services' and 'labour-only building or construction services'

'Labour-only building or construction services' means services where the value of the materials supplied is less than 10% of the turnover for those services. If materials are more than 10%, the business is classed as 'general building or construction services'.

Any supplies you make using the domestic reverse charge should be excluded from your Flat Rate Scheme calculation. You can find out more about operating the VAT domestic reverse charge with the Flat Rate Scheme in the [VAT Notice 733](#) paragraph 2.7. You can also find out more about the domestic reverse charge procedure in [VAT Notice 735](#) and "related content".

If you find that you have used the wrong rate, [HMRC VAT Notice 700/45](#) explains how to notify HMRC of errors on previous VAT returns.

This can be a complex area of tax and you may want to ask an adviser for help. If you have an appointed tax agent, they have not received a copy of this email.

If after reading this message you think you need to make any changes to your previous tax declarations, you may still be able to make an unprompted disclosure. You can find more information on [GOV.UK under 'HMRC compliance checks factsheets', 'Penalties'](#).

Extra support

You can get help from HMRC if you need extra support, for example if you need information in a different format or need help filling in forms or if you have personal circumstances that make it difficult for you to deal with us. If this is the case, please tell us, we will help in whatever way we can. To find out how to access extra support visit GOV.UK and search 'Get help from HMRC'.

Yours faithfully

HM Revenue and Customs