

JERSEY'S GOODS AND SERVICES TAX (GST)

ANNUAL ACCOUNTING SCHEME

GST

This leaflet is one of a series produced by the States of Jersey Taxes Office to explain various aspects of Jersey's new Goods and Services Tax (GST).

It is relevant to all businesses making not more than £500,000 of taxable supplies (sales) in any 12 month period.

The Annual Accounting scheme is **optional**, and businesses do not have to use it. Before choosing to apply for the scheme, business owners and managers are urged to consider carefully whether the benefits of using the scheme outweigh the disadvantages.

In designing a GST for Jersey, a key objective has been to achieve a tax that is as simple as possible for all concerned. In particular, it is the intention to minimise the administrative burden of GST on those businesses that are required to collect and account for the tax. The "Annual Accounting Scheme" is designed to simplify procedures for smaller businesses and to give them more flexibility in how they account for GST.

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1. What is the Annual Accounting Scheme?

Using standard GST accounting, a business completes four GST returns each year. Any GST due to the Taxes Office is payable quarterly, and any GST refunds due to it are also repayable quarterly.

Using annual GST accounting, you only need to complete one return for each calendar year, due by the following 31 January.

During the year you will make one interim payment, calculated as half of the GST payable by you during the previous year. The Taxes Office will write to you with the amount, which is payable by 31 July of the relevant year. When you submit the GST return for the year, the tax due on the Return, less the interim payment made, is payable at the same time.

Annual accounting can reduce your paperwork and make it easier to manage your cash flow.

2. Who can use the Annual Accounting Scheme?

You can use Annual Accounting if the taxable turnover (excluding GST on sales) of your business in the previous 12 months did not exceed £500,000 (for example, the total of the sales in Box 1 of your GST Returns). You should exclude the value of capital asset sales.

A business using Annual Accounting can continue to do so until the taxable turnover for a calendar year exceeds £600,000.

A business that normally receives refunds of GST from the Taxes Office may also apply to join the annual accounting scheme, and will not be required to make an interim payment. However as this will postpone receiving refunds, making normal GST Returns may be an advantage.

3. Who cannot use the Annual Accounting Scheme?

You cannot begin or continue to use Annual Accounting if:

- the taxable turnover of the business exceeded £500,000 in the previous year;
- you are registered for GST as part of a group registration;
- you have previously used Annual Accounting within the past 12 months and been made to leave the scheme by the Taxes Office;
- more than 20% of your purchases and expenses, or more than 20% of your sales, are from / to one or more "connected persons" *;
- you are not up to date with your GST returns and payments;
- you are insolvent, en desastre or in administration.

* "Connected persons" has the same meaning as in Article 3 of the GST Law 2007.

4. The pros and cons of the Annual Accounting Scheme

There are a number of reasons why the Annual Accounting Scheme can be beneficial to your business, but there are also some potential disadvantages.

Benefits of annual accounting

- you only need to complete one GST Return per year, instead of four;
- you only need to make 2 payments for each year;
- your customers are more likely to have paid you before you need pay GST to the Taxes Office.

Disadvantages of annual accounting

- making just 2 payments of GST each year may strain your business finance at those times;
- if you regularly reclaim GST, you will only get one repayment per year;
- if your turnover decreases sharply, your interim payments may be higher than your GST payments would be under the standard GST accounting - you would have to wait until the end of the year to receive a refund.

5. Joining and starting Annual Accounting

To join the Annual Accounting Scheme, you must apply in writing to:

GST Team – Taxes Office
Cyril le Marquand House
P O Box 56
St. Helier
Jersey
JE4 8PF

Email: gst@gov.je

Your first GST Return period using Annual Accounting will be shown on the approval letter from the Taxes Office. This is normally a calendar year. You can though apply to join the scheme part way through a year. Where this happens, the next quarterly period to begin will become your first Annual Accounting period and will run to the year end.

For example, if you have already submitted a GST Return for the period to 31 March 2010, apply on 19 April to join Annual Accounting, and are approved, you will submit a Return for the period to 30 June 2010 (and make any payment due) as normal. However you will then have a GST Return covering 1 July to 31 December 2010, due to be submitted (with any payment due) by 31 January 2011.

Once you have joined the Annual Accounting Scheme you must notify the Taxes Office within 30 days if there are significant business changes that may affect your eligibility to remain in the scheme (see paragraph 4. above). Examples include:

- if you expect your taxable turnover to be more than £600,000 in the coming year, for instance if you buy another business or set up a new branch;
- if you become insolvent, en desastre or enter administration.

6. GST Returns and payments

Annual returns are completed in exactly the same way as quarterly returns. Your annual GST return is due by the following 31 January, with any payment due.

An interim installment is payable **by 31 July**, based on half the GST payable by you in the previous year. If you apply to join the scheme after 30 April in any year, no interim payment is due in that year.

If you have been registered for GST for less than 12 months, your interim payment is based on an estimate of the GST the Taxes Office expect to be due from you for the coming year, based on the GST returns you have made.

When calculating the final GST payment due, you deduct the interim payment you have already made to arrive at your end-of-year balancing payment, due to you or the Taxes Office. **Do not adjust Box 8, tax due, by the amount of the interim payment made, but show the total tax due from or to you for the year.**

7. How to leave the Annual Accounting Scheme

You may leave the scheme voluntarily at any time by notifying the Taxes Office in writing before the end of that period. If you ask to leave, your Annual GST Return period will terminate at the end of that month, and your first quarterly Return period begin on the following day.

You must leave the scheme at the end of the GST period if:

- you sell your business or it ceases (see more below);
- your taxable turnover exceeds £600,000 in a calendar year,
- if the nature or structure of your business changes so that you expect turnover to exceed £600,000 in the year ahead, or
- if you meet the criteria at paragraph 3 above.

If you become insolvent, en desastre or enter administration, you must notify the Taxes Office within 30 days of this. Your Annual Accounting period ends, and normal quarterly Returns start, from the date you become insolvent, en desastre or enter administration.

If you sell your business or it ceases you must notify the Taxes Office within 30 days and your GST period will come to an end on the day of sale or date the business ceased. A GST Return is due for the period from 1 January to the new period end. If you incur GST on business costs after this date you can recover it; see the Information Sheet "GST: Cancelling your Registration".

The Taxes Office may remove you from the Annual Accounting Scheme if:

- you calculate your GST incorrectly on two or more occasions (each case will be treated on its merits);
- you fail to make the interim payment;
- you are convicted of a GST offence;
- you are assessed for a penalty for GST evasion.

If you leave the Annual Accounting Scheme, you cannot rejoin for at least 12 months.

8. Using the Annual Accounting Scheme with other schemes

If you use any of the following schemes you can continue to do so alongside Annual Accounting:

1. The Cash Accounting Scheme.
2. The Retail Scheme.
3. The Margin Scheme for second-hand vehicles.
4. The Supply of Holidays Scheme.

If you need further assistance please contact the GST Help Desk on:

- (01534) 440555 during office hours,
- by fax on 789142
- or by e-mail: gst@gov.je