



Large Business

[HM Revenue and Customs
1724
NEWCASTLE
NE98 1ZZ]

Email [lbppsproject@hmrc.gov.uk]

Date [date]
Ref [Payment Processing Services Project]

Web www.gov.uk

Dear [Enter customers name],

Accounting for VAT and Corporation Tax when using payment processing services

We're writing to businesses to remind them how to account for VAT and Corporation Tax (CT) when using payment processing services (PPS).

Businesses need to account for VAT on the full amount they charge customers. Some are only accounting for VAT on the amount they receive with PPS fees deducted. For CT, they need to be able to correctly identify allowable expenses.

Our records show that your business uses PPS. So we'd like you to check whether you've accounted for these taxes correctly when using PPS, and email us to let us know.

What you need to do for VAT

Make sure your systems and processes account for VAT on the full value of the supplies you make when you use PPS.

If you use different PPS providers, consider how they claim their fees. For example, some may deduct their fee from the amount a customer pays and pay the rest to you; others may pay the full amount to you and invoice for their fee later.

If you've made any errors in your VAT calculations, please correct them. Go to GOV.UK, search 'VAT notice 700/45' and follow the process.

What you need to do for Corporation Tax

Please make sure your accounting systems and processes can distinguish PPS fees from the other receipts and expenses of your trade. You need to do this no matter how your PPS providers charge you for their services.

For detailed guidance on calculating your profits for CT, please go to GOV.UK and search 'BIM30000 measuring profits'.

This letter is not a notice of enquiry into your CT return.

When you've looked at how your systems deal with PPS

Please email us at lbppsproject@hmrc.gov.uk and copy your CCM in to tell us:

- if you haven't accounted for VAT correctly in respect of using PPS over the last 4 years
- if you haven't calculated your profits correctly in respect of PPS income and charges in your most recent CT return
- if you've made corrections for VAT or CT in respect of using PPS and the supplies affected
- details of any changes you've made to your systems and processes to stop errors happening again.

We'd appreciate a response by (**45 days from the date of the letter**). If you need more time or have any questions, please contact your CCM.

If you find any errors

As long as you took reasonable care with your tax returns, we won't charge a penalty if you've made an error. We take all circumstances into account when deciding whether to charge a penalty.

If you do find an error after reading this letter, please tell us about it. If you don't, and we find out later, we'd treat this as careless even if the error was neither careless nor deliberate on the original return.

Yours sincerely

[Signature]

To find out what you can expect from us and what we expect from you, go to GOV.UK and search, 'HMRC charter'.