**AAT L2 – Video transcript – Calculating VAT**

Parts of the day-to-day accounting role will likely involve both adding and removing VAT. VAT is an indirect sales tax, meaning that it is a tax on spending rather than income. Most of the time, you would be calculating either the addition or removal of VAT from a figure.

There are several ways to do this, depending on what tools you have, like a calculator – or if you are doing it mentally. Let’s take a look and try to find out what the VAT is, so that we can add it on to a net amount of £480.

£480 x 20% = £96

£480 x 0.20 = £96

£480 / 5 = £96

£480 / 100 x 20 = £96

If the VAT is already included in the total gross amount of £750, and we need to work out how much VAT there is in order to remove it, we would do one the following:

£750 / 120 x 20 = £125

£750 / 6 = £125

After these calculations, you can make more detailed accounts that better show the breakdown of purchases or sales with or without VAT included in the amounts.