

## Registration & Administration

You must register for VAT with HM Revenue and Customs (HMRC) if the VAT taxable turnover of your business is more than £81,000. You can register voluntarily if your turnover is under the threshold, providing that you do not only make exempt supplies.

Your VAT taxable turnover is the total value of all your supplies, excluding VAT-exempt supplies and goods or services supplied outside the UK.

Once registered, you must charge your customers the right amount of VAT on the supplies you make, keep accurate VAT records and a VAT account, submit regular VAT returns and pay any VAT due to HMRC.

### When to register

If you are registering voluntarily, you can register at any time and you will have to pay VAT over to HMRC from the date on which they start your registration.

For compulsory registration, you must register as soon as you know you will go over the threshold. The turnover for the VAT threshold is the total value of all goods and/or services sold that are not VAT exempt. You must register for VAT if:

- your VAT taxable turnover is more than £81,000 in any 12 month period
- you receive goods in the UK from the EU worth more than £81,000
- you expect to go over the threshold in a single 30 day period

If neither you nor your business is based in the UK, there is no threshold – in this instance, you must register as soon as you supply any goods and services to the UK (or if you expect to in the next 30 days).

You may also have to register for VAT if you take over a business that is already registered.

You must register within 30 days of your business exceeding the threshold. If you register late, you will have to pay any VAT that would have been due from the date on which you should have registered – you may also incur a late registration penalty.

Most businesses can register online via the HMRC website here:

<https://online.hmrc.gov.uk/registration/newbusiness/business-allowed>

### Registration exception

You can apply for an exception from registration if your taxable turnover only goes over the threshold temporarily.

An application must be made in writing to HMRC, showing evidence why you believe your VAT taxable turnover will not go over the de-registration threshold of £79,000 in the next 12 months. Once HMRC have considered your request, they will either confirm in writing that they have agreed an exception from registration, or they will register you for VAT.

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### Reclaim VAT on purchases made before registration

Once registered, you can reclaim VAT on purchases made prior to registration, providing that the goods or services relate to the business now registered and were incurred for business purposes. The time limits for such a claim are:

- for goods you still have, or that were used to make other goods you still have - 4 years from the date of registration
- for services – 6 months from the date of registration

The backdated claim should be made on the first VAT return you submit, being included in Box 4. You will need to have and retain supporting documentation such as:

- invoices and receipts
- descriptions and purchase dates
- details about how the goods or services relate to your business now

### VAT Returns

Most VAT registered businesses submit their VAT returns on a quarterly basis, but there is a VAT Annual Accounting Scheme (see separate guide).

A VAT return reports your total sales and purchases and the amount of VAT you owe, how much you can reclaim and what your net liability or refund is. You must file a return for every VAT accounting period, even if you have no VAT to pay or reclaim. (See our separate guide on VAT record keeping for help with invoice and bookkeeping requirements for VAT registered businesses).

VAT returns must be filed online and as part of the initial registration process, HMRC will create an online account for you.

For quarterly VAT accounting, the deadline for filing each return and paying any VAT due to HMRC is one month and seven days after the end of the VAT period. Payments must be made electronically (eg by direct debit or internet banking) and you must allow time for any payment to reach HMRC by the due date.

### Penalties and surcharges

If you are late filing a VAT return or in settling any VAT due, HMRC will treat this as a default on your VAT obligations and may enter you into a 12 month surcharge period. You may have to pay a surcharge and HMRC will write to you to explain any surcharges they are imposing and what will happen if you default again.

You don't pay a surcharge for your first default and there is no surcharge for the late submission of a VAT return if you had no VAT to pay, or if your payment was made by the due date.

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If a surcharge is levied, it is calculated as a percentage of the VAT outstanding on the due date for the accounting period that is in default. The surcharge rate increases every time you default again in a surcharge period.

The surcharges that will be imposed are:-

Defaults within 12 months	Annual turnover < £150,000	Annual turnover > £150,000
First	No surcharge	No surcharge
Second	No surcharge	2% (nil if this is less than £400)
Third	2% (nil if this is less than £400)	5% (nil if this is less than £400)
Fourth	5% (nil if this is less than £400)	Greater of 10% or £30
Fifth	Greater of 10% or £30	Greater of 15% or £30
Sixth or more	Greater of 15% or £30	Greater of 15% or £30

In addition to the above surcharges, HMRC can charge a penalty of up to:

- 100% of any tax under-stated or over-claimed if you send a return that contains a careless or deliberate inaccuracy
- 30% of a VAT assessment if HMRC sends you one that is too low and you fail to tell them that it is wrong within 30 days
- £400 if you submit a paper VAT Return, unless HMRC has told you that you are exempt from submitting your return online

If you fail to submit your VAT Return and pay any VAT due on time, you will get a 'VAT notice of assessment of tax' from HMRC, telling you how much VAT they think you owe. If you receive a statement you should submit your return and payment as a matter of urgency. If the assessment is too low, you must notify HMRC within 30 days, otherwise the above penalty will be imposed.

### Need help?

It is important that accurate and up to date records are kept for your business and you may find our separate guide to VAT record keeping helpful. Waveney Tax Solutions can assist you with your VAT registration, bookkeeping and VAT returns. For further details please call 01502 370620 or 07919 924273, or alternatively email us at [nina@waveneytaxsolutions.co.uk](mailto:nina@waveneytaxsolutions.co.uk).