

## **A Guide to VAT registration – South Devon College (Employer HR Apprenticeship Support Guide)**

### **Becky Hayes, Partner, and Head of VAT at Westcotts**

Value Added Tax, or more commonly referred to as VAT, is a tax on the value added to most goods and services bought and sold for use or consumption in the UK. VAT is a significant source of revenue for the government.

In this guide, we will explore the basics of VAT registration and what you need to know...

#### **What is VAT registration?**

VAT registration is the process of [enrolling your business with HM Revenue and Customs \(HMRC\)](#). It involves submitting your application for VAT registration and providing information about your business.

You will need to check whether you are eligible to register for VAT and then gather the required information and documents before submitting your application. You can appoint an accountant to submit your VAT registration and deal with HMRC on your behalf.

Once you have registered, you will receive a VAT registration number, which you will include on your VAT invoices and use to charge VAT on your supplies, goods and services and reclaim the VAT paid on your business expenses.

#### **How does it work?**

If a business is VAT registered and sells taxable goods or services, then it will charge VAT on those goods or services. This VAT is called output VAT.

Depending on the status of the customer, it may be able to recover the VAT from HMRC on its VAT returns. This VAT is called input VAT.

For most businesses, they pay output VAT and claim input VAT on their VAT returns. The difference between output VAT and input VAT will either be paid to HMRC or refunded by HMRC.

VAT will be a cost to consumers, for example individuals and the public, unregistered businesses, and exempt businesses, as they cannot recover the VAT charged from HMRC.

#### **Do I need to register for VAT?**

This depends on your business turnover – you will need to register for VAT if the value of your taxable supplies exceeds the VAT registration threshold which is currently set at £85,000.

Taxable supplies are any goods or services that fall within the scope of VAT, these are any goods or services that are charged at the standard, reduced or zero rate.

Currently, the standard rate of VAT is 20% - this is the default rate. The reduced rate of 5% and the zero rate apply to supplies of certain goods and services. We also have several VAT exemptions for certain supplies of goods and services.

If your taxable turnover sits below the VAT registration threshold of £85,000 or you intend to make taxable supplies in the future, you can choose to register for VAT voluntarily. This can be beneficial if

you are looking to reclaim the VAT you have paid on your business expenses and sell to businesses that are VAT registered.

### **What documents and information will I need to provide?**

To register for VAT, you will need to provide the name of your business, address, and contact details, as well as the business structure and legal status, the nature of your business activities and proof of identity.

You will also need to provide details of the business owner, for example a National Insurance (NI) number and your tax identifier (Unique Taxpayer Reference UTR), details of other businesses you have owned within the past two years and your business bank account details.

### **What are the benefits of VAT registration?**

There are several benefits to registering for VAT including reclaiming VAT paid on business expenses. VAT registered businesses can reclaim the VAT paid on business expenses, which can increase profitability.

However, VAT cannot be recovered on all business expenses. VAT incurred on costs can only be recovered if:

- A. The supply has been made to you.
- B. It relates to a taxable activity.
- C. You hold the required evidence, for example, a VAT invoice.
- D. It is not specifically blocked from recovery, for example, VAT incurred on the purchase of a car or on business entertainment is usually blocked from recovery.

### **Penalties**

If a business is required to register for VAT, it must notify HMRC by submitting the VAT registration form within 30 days. If the VAT registration form is submitted late, HMRC can charge a late notification penalty. The penalty will be calculated using the VAT liability in the period from the date when you should have registered to the date when HMRC received your notification. The rate of penalty will depend on how late the registration is.

### **De-registering from VAT**

You can deregister from VAT in certain circumstances, for example:

- If your taxable turnover is expected to be less than the de-registration threshold in the next 12 months. The deregistration threshold is currently £83,000.
- You cease trading, or
- You sell your business.

### **Taking steps to register**

VAT registration is an important step that every business should consider. If you are unsure as to whether your business needs to register for VAT, then check with your accountant. Registration can be complex and time-consuming but can also provide significant benefits to some businesses.

If you need help with VAT registration, we advise getting help from an accountant who can guide you through the process.

For more information about VAT and the differing rates, liabilities, and applications, please contact a member of [our VAT team](#). For more help and advice, [give us a call or drop us a line](#).