

VAT Guide



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What is VAT?

Value Added Tax (VAT) is the tax applied to the majority of goods and services in the UK.

Your business must register for VAT if your turnover exceeds £90,000 per year, or you can register voluntarily if it is beneficial to do so.



Registering for VAT

When you register for VAT, HMRC will send you a VAT certificate which will confirm your VAT registration date, your VAT registration number and the dates of your first VAT return.

Please send us a copy of the certificate as soon as you receive it.

We usually handle VAT registration on behalf of our clients and will process the application online to speed up the application.

However, you must provide your accountant with your VAT certificate, VAT registration number and date of your first VAT return as promptly as you can to ensure you don't miss the deadline for your first VAT return quarter.

While you wait for your VAT certificate

If your VAT registration date is before your VAT registration number is received, you cannot charge VAT to your customers.

However, you will still have to pay the VAT on your sales for this period. You should increase your prices to allow for this and let your customers know why.

If your registration is not compulsory, then it may be worth setting your registration date for 1 month after your application, to avoid this scenario.



Your VAT certificate can take up to 6 weeks to arrive. However, in our experience, it usually takes 2 - 3 weeks.

Your responsibilities

Once you have your VAT registration number, you can then supply your customers with a proper VAT invoice so that they can reclaim the VAT (if they are also VAT registered).

Registration number

You must show your VAT registration number on all of the invoices you issue to your customers. Without this, they are not able to reclaim the VAT you charge to them (if they are VAT registered).

Submitting VAT returns

A VAT return must be submitted every 3 months (although the first return may be for a shorter or longer period).

The VAT return will show the total amount of VAT you have charged minus the total amount of VAT you have paid during the period. The difference is then payable to HMRC.

You must submit your VAT returns online using HMRC recognised software, such as Pandle. To learn more about this please read our [Making Tax Digital for VAT guide](#).



Keeping receipts

You must keep VAT receipts for all of your expenditure. You are not technically allowed to offset VAT you have spent if you do not have a proper VAT invoice/receipt.

If you decide to use [Pandle](#) for your bookkeeping and VAT returns you can take advantage of our [Receipt Uploads](#) feature. This allows you to take photos of your receipts and attach them to their relevant transactions, keeping all your records in one place.

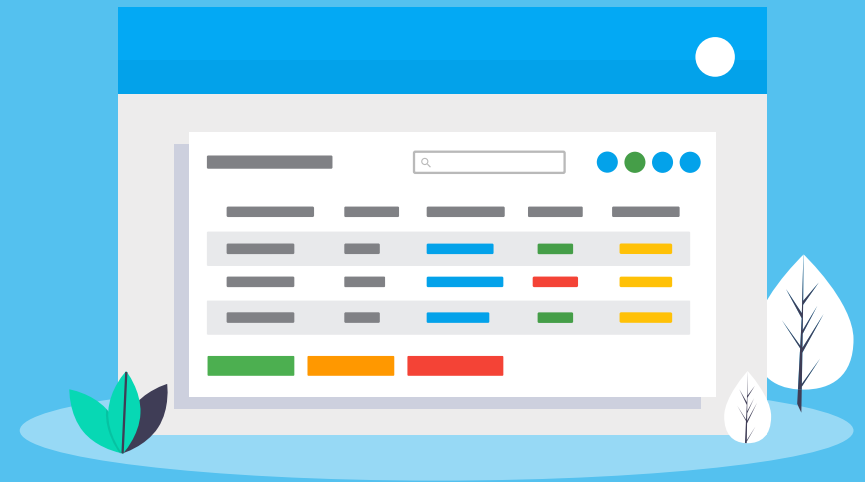
Bookkeeping

If you're completing your own bookkeeping either on spreadsheet or software, you must start to separate out the VAT, from the registration date.

Software such as Pandle will allow you to do this automatically by inputting your VAT details into your company settings menu.

If you're still using spreadsheets should show the net (amount before VAT), the VAT and the gross amounts (total amount).

However, with the introduction of Making Tax Digital, we strongly recommend you make the switch to software as soon as possible.



The Flat Rate Scheme

If you have decided to register for the Flat Rate Scheme (FRS) there are a few slight differences.

An additional paper only registration form should be completed and a flat rate percentage should be decided upon. We will be able to handle this for you as part of the registration process.

You cannot offset the VAT you spend against the VAT you charge (unless it's an asset worth over £2,000). Instead, you will pay HMRC a set percentage of your sales, inclusive of VAT.

Please note, you will charge customers 20% VAT as normal.

If you are using bookkeeping software you will need to ensure it can handle the FRS as some cannot.

Luckily for our clients, [Pandle](#) supports the FRS and makes it easy for you to switch between this and the standard scheme, handling all of the calculations for you to ensure no mistakes are made.



Other considerations

There are a couple of other aspects which are important to consider when your business becomes VAT registered:

Your quarter end date

Once you have registered for VAT, if your VAT quarter ends do not fall in line with your financial year (i.e. they overlap your year-end) then it may be beneficial to change the quarter ends to fall in line.

This will reduce the number of times we request records from you and will make preparing your accounts a little easier.

Reclaiming for VAT

If you have paid any VAT before your registration date, then you may be able to reclaim it on your first VAT return.

You can reclaim the VAT as far back as four years on products and assets you still have in stock at your registration date.

Please speak to your dedicated accountant about this so they can make the necessary arrangements.



Looking for more help with your VAT?

If you have any further questions simply call us on 020 3355 4047 and one of our friendly accountancy advisors will be happy to help.

 [Get An Instant Quote](#)



