

VAT Annual Accounting

The annual accounting scheme must be applied for. An application form can be found online, leaflet number: 04/SB/004 is a simplified leaflet with an application form (VAT 600 AA).

<http://www.hmrc.gov.uk/vat/start/schemes/annual.htm>

The application must be made in writing to: -

Annual Accounting Registration Unit
Imperial House
77 Victoria Street
Grimsby
Lincolnshire
DN31 1DB

The application for annual accounting can be made at the same time as applying for the VAT registration using the VAT1 form, and can be sent with the VAT1.

A business can apply if it has an annual taxable turnover (excluding VAT) of £1.35m (since 1st April 2006) or less.

In addition businesses with a turnover up to £1,350,000 may join the scheme from the date they register for VAT (previously, newly registered businesses with a turnover above £150,000 had to wait a year before joining).

A business can operate within the scheme until the annual turnover goes over £1.6m, once over that threshold standard VAT accounting must be applied. A business cannot rejoin the scheme for 12 months, even if turnover falls below £1.6m (since 1st April 2006).

The Annual accounting scheme is not recommended for net receivers of VAT, as there would only be one receipt of VAT at the year end when the VAT return is processed.

Annual returns can still be filed on line.

There is an additional month to file an annual return.

Once written approval for annual accounting has been received from HMCE the business will only need to make one VAT return a year.

The payments are made monthly, with the first payment being at month 4 of the first year. A balancing payment is then made with the return if any monies are due.

The payments are calculated as 10% of the total payments estimated or for the last accounting year.

There are two months allowed to file the annual return.

Payment schedule

End of month	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Year 1												Year 2	
Payments				1	2	3	4	5	6	7	8	9		Final payment

Payments can be the 9 instalments listed above, or quarterly in months 4, 7 and 10.

Annual accounting can also be used with the retail scheme, cash accounting or the Flat Rate Scheme (FRS).

Application to leave the scheme must be made in writing to the address above.

More details on this scheme are in Notice 732.

If the business operates the annual accounting scheme, and changes the bank account number, sort code or Girobank account number, the change will affect the direct debit arrangements and the business will need to notify the bank and the VAT Central Unit Annual Accounting Team immediately at the address above.

Due to the PBR changes from 1st December 2008 the following questions have been answered in the VAT notes.

Will HMRC change the instalments?

No. The precise effect of the rate change will vary from business to business and HMRC will not be changing the instalments already notified.

What if a business thinks the instalments are too high?

If the business disagrees with the amount of the interim payments, or they expect the VAT liability to increase or decrease significantly over the course of the year they should contact the Annual Accounting Registration Unit and explain how they have calculated the new interim instalments. If HMRC agree with the new calculations they will write and inform the business of the revised instalments. The address to contact is:

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