

## VAT

### Record Keeping Requirements

A VAT registered business must keep records of all the supplies made and received, and a summary of VAT for each accounting period covered by the VAT returns.

All businesses have to keep similar records for VAT, but there may be important differences depending on the nature of the business. Some businesses may use one of HMRC's special accounting schemes such as: -

- The retail scheme ([Notice 727 Retail Schemes](#))
- Cash accounting scheme ([Notice 731 Cash Accounting Scheme](#))
- A second hand schemes ([Notice 718 Margin Schemes for second hand goods, works of art, antiques and other items](#)).

A business must keep the following: -

- Records of all standard-rated goods and services received or supplied as part of the business.
- Separate record of any exempt supplies made.
- VAT account.
- Records of all zero-rated goods and services received or supplied as part of the business.

There is no prescribed format, in which the records must be kept, but the information must be up to date, and the figures used to fill in the VAT return must be easy to find if a query is made.

You can find an example of a VAT account can be found in [Notice 700/21: Keeping records and accounts](#).

A VAT account is a summary of the totals of output and input tax. The VAT should be added up in the records, and transferred to the totals in the VAT account under separate headings for VAT deductible (input tax) and VAT payable (output tax).

When a business supplies standard-rated goods or services to another VAT registered person, it needs to issue a document showing certain information about the supply. The document is called a VAT invoice. Normally a VAT invoice must be issued within 30 days of the date of the supply. [VAT Receipts and Invoices](#)

Computer records are allowable as long as the business: -

- Accounts for VAT properly.
- Provides information to HMRC when they visit.
- Keep records in the required detail for the required length of time.

Business records must be kept for at least 6 years. If the 6-year rule causes serious storage problems, or undue expense, HMRC may allow it to keep some records for a shorter period.

With the change of VAT rate from 17.5% to 20% it would be wise to make careful notes of VAT adjustments made during the transition period.