

## VAT Registration Process

The current threshold for VAT registration is £73,000 (2011/12) and, if a business is operating close to that level on a moving monthly average (£6083 per month), and then registration is mandatory. A one-off increase in turnover, which will not be repeated and, does not put the annual turnover above £73,000, maybe accepted. If there are any doubts the National Advice line should be contacted: -

National Advice Line 0845 010 9000 Mon-Fri 8.00am-8.00pm

Sometimes clients may wish to register even if they are below the threshold: -

1. They are zero rated on the outputs (i.e. Food/children's clothes) but can claim VAT on all Vat able inputs (i.e. stationary/equipment).
2. All their clients are VAT registered and they can pass on the VAT, and claim VAT on inputs.
3. They wish to appear as if they have a higher turnover by registering, giving them a status in their particular area of business.
4. They offer an exempt service (i.e. some health care/grave diggers).

The registration form is a VAT1 form which must now be completed online.

To register online go to

<http://www.hmrc.gov.uk/online/new.htm>

Go through the instructions, selecting for VAT Registration and whether it is an individual or organisation and it will generate a Government Gateway user ID. The system will then send out an authorisation code to verify the Gateway account.

It is a good idea to read through notice VAT 700/1 your first VAT application.

**NEVER TAKE OVER A VAT REGISTRATION NUMBER IF PURCHASING A GOING CONCERN, AS THE NEW PROPRIETOR IS LIABLE FOR ALL THE VAT IN PRIOR YEARS. THEY ARE ALSO RESPONSIBLE FOR ANY VAT INVESTIGATIONS ON PRIOR YEARS – AN EXPENSE AND HASSLE NOT NEEDED.**

Once the registration is completed, the form needs to print off and kept for future reference.

VAT registration can take between 2-4 weeks, if it has not come through after that time it could be that the bank details were not completed (a common problem with new companies) HMRC will write and ask for extra data. The filing submission will have a unique reference, so the application can be followed through via that.

### **How to Account for VAT – accounting system?**

Your client may operate under one of 2 systems if their annual turnover is under £1.35m (2010/11): -

Cash accounting - only accounting for the input and output VAT when the “cash” have been received or paid.

Invoice accounting - Accounting for the input and output VAT at the tax point date as detailed on the invoice.

A business can use Cash Accounting Scheme if the estimated VAT taxable turnover during the next tax year is not more than £1.35 million. The VAT taxable turnover includes any standard, reduced and zero-rated sales and other VAT taxable supplies, but excludes VAT itself, supplies that are exempt from VAT, and capital asset sales.

Once a business starts to use cash accounting, it can continue to do so until the VAT taxable turnover reaches £1.6 million.

### **What if you client starts trading before they have a VAT number?**

If they are invoicing clients they must still produce an invoice.

But

The invoice must not split out the VAT.

It must show the GROSS figure only (including the VAT).

The invoice must have a statement at the foot of the paper stating that “VAT registration has been applied for, and when a VAT number is available, copy VAT receipts will be issued”.

They will then have 28 days to issue and resend a new VAT invoice.