VAT CHEAT SHEET

FAST FACTS

- Businesses must register for VAT if taxable supplies exceed the VAT registration threshold (currently £90,000) in a rolling 12 month period.
- Output VAT is VAT charged by the business to its customers, at either 20% or 5% depending on the relevant VAT rate.
- Input VAT is paid on goods and services supplied by the business.
- The input VAT rate is 5%, 20% or 0%.

It is compulsory for businesses that make taxable sales over £90,000 in a 12 month period to register for VAT. Double check that what you're selling is VATable. There are special rules for overseas sellng especially.

The 12 month period is a rolling year, which means its not based on your tax year or financial year. If you're close to the £90,000 sales threshold you should monitor your sales and register as soon as you reach £90,000, or as soon as you're aware that you will go over that threshold in the next 30 days.

A business can voluntarily register for VAT when the sales they make are under the threshold. This can be beneficial if a business makes a lot of purchases that they can reclaim VAT on and sell to customers that are also VAT registered.

If you're not selling to VAT registered customers then your sales prices will effectively be 20% higher than they would otherwise be. It's worth bearing in mind that there can be a lot of work that goes into VAT returns so the reclaim amounts would need to outweigh the additional time and expense of registering before you need to.

To reclaim input VAT the business must keep evidence that they have paid the VAT. This will be in the form of a receipt or invoice, with the amount of VAT charged, suppliers VAT number, date etc. It is very important to keep all your evidence, either electronically or in hard copy!

VAT is generally paid on a quarterly basis; businesses have one month and seven days from the end of the VAT period to complete their VAT return and pay amounts owing to HMRC. So, if a VAT quarter ends on 30 September the business has until 7th November to complete the return, file it and pay HMRC. The VAT payable is the amount collected from sales, minus the amount that the business has paid on its expenses.

Remember...

Being VAT registered means you become an unpaid tax collector! VAT you charge your clients is NOT your money.

You can claim VAT on things from before you were VAT registered. Goods you can go 4 years back but they must still be in use in the business

Services you can go back 6 months before your VAT registration date and reclaim the VAT on these.

Sales outside of the UK might not be VATable. Make sure to double check these!

If you're going to get confused by it, set up a bank account to hide the VAT money from yourself in.