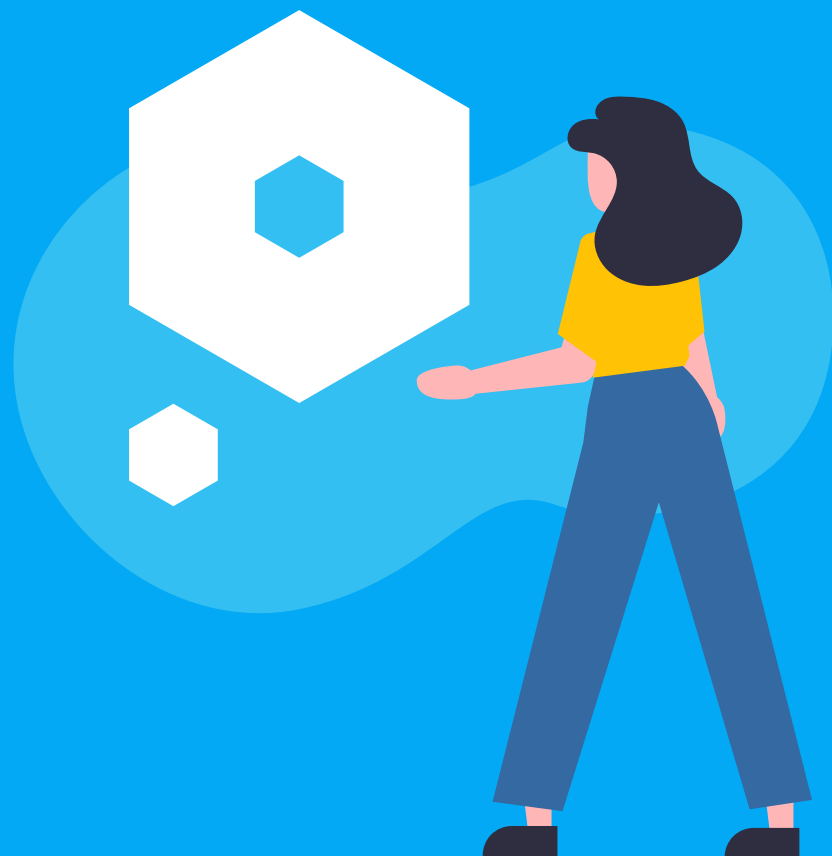




A Guide to VAT

Everything you need to know about VAT





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What is VAT?

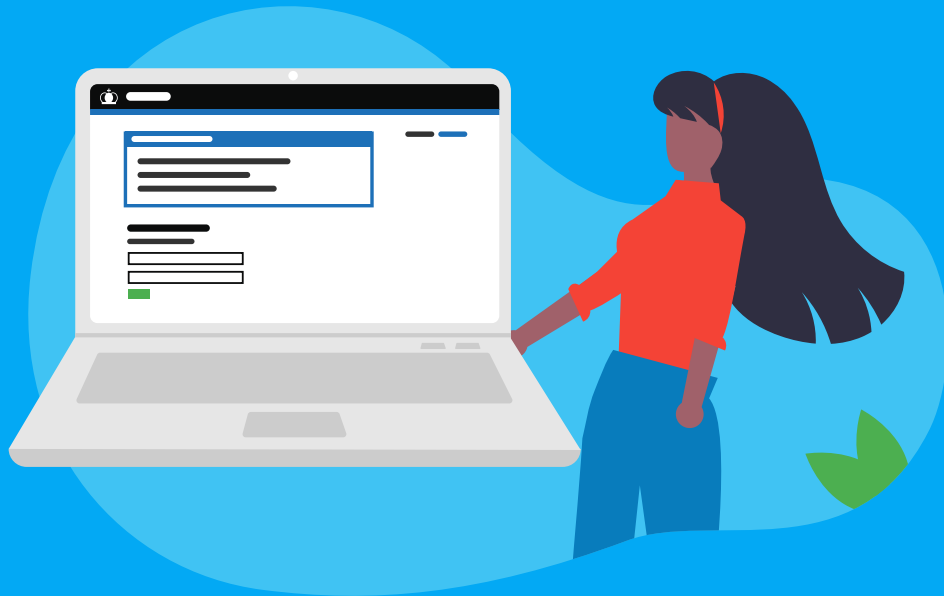
VAT stands for **Value Added Tax**. It's the tax added to most goods and services sold by a VAT registered business.

You'll pay VAT on anything from your meals out at a restaurant, to energy supplies in your home.

The standard rate for VAT is 20%, although some goods and services charge VAT at a lower rate.

For example, gas and electricity is charged at a reduced rate of 5%, and children's clothes and most groceries are charged at a rate of 0%.





What does VAT registered mean?

Registering for VAT effectively means that it's your responsibility to collect VAT on your taxable sales, and then pay this on to HMRC.

Once registered, you'll:

- ✓ Charge VAT on goods you sell (unless they're exempt)
- ✓ Be eligible to reclaim VAT back on business purchases
- ✓ Need to [keep MTD compliant records](#) of the income and expenditure of your business

Who needs to register for VAT?

Whether you're a limited company or a sole trader, you'll need to register VAT if your taxable turnover goes over the £90,000 registration threshold.

The 'taxable' part of this is important, because if you only supply goods or services that are exempt from VAT then you won't be able to register.

[Items exempt from VAT](#) can include the likes of education and training, fundraising events by charities, and subscriptions to membership organisations.

What is the VAT registration threshold?

Currently, the VAT threshold in the UK is £90,000.

This means you don't need to register for VAT until your VAT taxable turnover over a 12-month period reaches this threshold.

Unless your turnover reaches £90,000 within that period it's not mandatory, but you can register anyway if you choose to.

Some businesses find this useful, and might voluntarily register for multiple reasons, including:

- ✔ Charge VAT on goods you sell (unless they're exempt)
- ✔ Be eligible to reclaim VAT back on business purchases
- ✔ Need to [keep MTD compliant records](#) of the income and expenditure of your business

There are also some disadvantages, such as:

- ✔ You'll now be charging VAT, so your products will appear more expensive to your customers and clients, or you might decide to absorb the cost which will reduce your profit margins.
- ✔ Once registered, you must file VAT Returns, and keep VAT invoices, receipts, and accounting records. HMRC does like layering on the admin!





How do I register for VAT?

You can [register online](#).

Just [create a Government Gateway account](#) and then apply for VAT registration. You might also consider [hiring an accountant](#) to take care of it as your agent.

What VAT scheme should I choose?

Choosing a VAT accounting scheme to suit your business can make it easier to work out VAT, and can even help you manage your cashflow.

Read our [Different Types of VAT Accounting Schemes](#) guide to learn more

What happens after I register for VAT?

Once you're up and running, you'll be able to reclaim any VAT paid on business purchases and become responsible for:

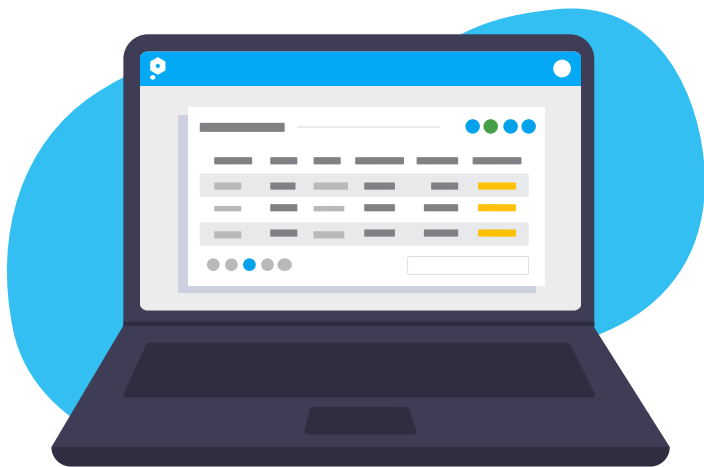
- ✓ Charging VAT on any goods or services you sell, and making sure this is the correct amount
- ✓ Paying the VAT due to HMRC
- ✓ Submitting VAT returns
- ✓ Keeping [MTD compliant VAT records](#)

What is the VAT submission deadline?

This depends on which **VAT scheme** you use.

Most VAT registered businesses need to make quarterly submissions, but on the annual accounting scheme you make yearly submissions.

For both schemes, you'll need to submit your VAT records one month and seven days after the end of the VAT accounting



How do I check if another company is VAT registered?

If you have the business's VAT number already, this is an easy step. Simply head over to Gov.UK website to [check a UK VAT number](#).

You'll be able to check if the VRN (Vat Registration Number) is valid and see which name and address it is registered to.

If you're a UK VAT-registered business, you'll also be able to use the service to prove when you checked a UK VAT number; you just need your own VAT number on hand.

It can be difficult to find out if a business is VAT registered if they haven't supplied you with their VRN.

There are websites where you can type in the company name to find information, but it's worth noting that they're not official government websites, and the data can be incorrect.



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