



VAT Registration

What is VAT....

VAT is a tax that's charged on most goods and services that VAT-registered businesses provide in the UK. It's also charged on goods and some services that are imported from countries outside the European Union (EU), and brought into the UK from other EU countries.

There are three rates of VAT, depending on the goods or services the business provides. The rates are:

- standard - 20 per cent
- reduced - 5 per cent
- zero - 0 per cent

There are also some goods and services that are:

- exempt from VAT
- outside the UK VAT system altogether

If you're a business and the goods or services you provide count as what's known as 'taxable supplies' you'll have to register for VAT if either:

- your turnover for the previous 12 months has gone over a specific limit - called the 'VAT threshold' (currently £81,000)
- you think your turnover will soon go over this limit

You can choose to register for VAT if you want, even if you don't have to.

How long does it take to register....

It currently takes around a month for HM Revenue & Customs (HMRC) to process applications for VAT registration, although it can take longer if they need to carry out additional checks.

GOV.UK say it could take as little as 14 working days.

HMRC aims to process 70 per cent of applications within 10 working days and most are processed within a month.

But there are cases where it can take a lot longer, possibly even 6 months.

Until you receive your VAT registration number you must not charge VAT, or show VAT on your invoices. To make sure that you do not lose income in the period after you applied for VAT registration but before you receive your VAT registration number, you should increase your prices by an amount equivalent to the VAT rate relevant for your goods or services, and explain to your customers why you are doing so.

Once you receive your VAT registration number you can then reissue those invoices, amended to show your VAT registration number and the VAT charged. This will make sure that your VAT-registered customers may reclaim the VAT that they have paid.

If your clients are businesses it could be worth voluntarily registering when you start your business.