

VAT

the Basics

What is VAT?

VAT stands for Value Added Tax. It is a tax charged on most goods and services in the UK.

VAT is a tax that all of us pay regularly, as it is added to most day-to-day goods, but it is only when you are in business do you need to know more about this Value Added Tax.

What does this mean?

It means that on most things you buy; whether it be clothes, food or tech, it will have VAT added to the price. For most of us, we won't even be aware of this, as the goods will be labelled with the VAT- inclusive price.

Rates of VAT

Most goods and services will have standard rate VAT included. The standard rate of VAT is currently 20%.

However, there are some goods and services that are subject to different rates, and this is dictated by complex VAT legislation. The other rates are:-

- **Reduced Rate – 5%**
- **Zero Rate – 0%**

There are some items that are exempt or “outside the scope” of VAT.

Note: Confusingly, zero rate and exempt are not the same thing!

When does VAT affect a business?

As a business, if your annual turnover/sales (including zero-rated sales), exceeds the VAT registration threshold (set at £90,000 from 1 April 2024), you must register for VAT.

It is important to monitor your sales on a rolling 12-month basis to ensure you know if you reach the threshold. If you fail to register you may be charged a penalty.

You can however register for VAT before this point, and this is known as voluntary registration.

How do you register for VAT?

To register for VAT, you must submit a VAT application online to HMRC. The easiest way to do this is to get in touch with your accountant (hopefully us!) and we will take care of it for you. The most important points to consider are:

- **The date you will register from**
- **How VAT registration may affect your pricing**
- **The VAT scheme you wish to use to calculate your VAT liability**

We will help you through all of the above to ensure you make the best possible decisions in taking this big step for your business.

Continued >>>

VAT the Basics

What happens once a business is VAT registered?

Once registered, a business adds VAT to its sales to effectively collect tax on behalf of HMRC. The VAT a business adds to its sales is not additional profit – it should be kept aside for repayment to HMRC (subject to the VAT scheme you select).

Once a business is VAT registered, it must:

- Charge VAT, at the appropriate rate on all sales
- Prepare and submit a VAT return to HMRC each quarter
- The way the VAT is reported and calculated will depend on which VAT scheme you choose Pay the VAT to HMRC

What deadlines are involved?

Deadline for registering for VAT – you must register within 30 days of your sales exceeding the registration threshold.

Deadline for quarterly VAT returns – you must submit the VAT return and pay any VAT due by one month and seven days after the end of the VAT quarter i.e. if your VAT quarter ends on 30 June 2024, your return and VAT payment are due by 7 August 2024.

Next steps

VAT is complicated! If you want to know more about VAT and how it may impact you and your business, get in touch with us at Broadley Accountants.



Let's Chat

hello@broadleyaccounting.co.uk

0161 399 0028

broadleyaccounting.co.uk

Jack Broadley Managing Director



 hello@broadleyaccounting.co.uk

 0161 399 0028

 broadleyaccounting.co.uk

 **Broadley**
Accounting