

SHOULD YOU BE REGISTERED FOR VAT?



Most accounting software we recommend can cope with the calculation and filing of VAT returns. The good news is, being obliged to register for VAT is not the time-consuming chore it used to be.

The following notes set out when you must register for VAT, and when you may wish to register voluntarily.

The current VAT registration rules

You must register if, by the end of any month, your total VAT taxable turnover for the last 12-months was over £85,000. You have to register within 30-days of the end of the month when you went over the threshold. Your effective date of registration is the first day of the second month after you go over the threshold.

Disadvantages of being VAT registered

If you sell to consumers, who are not registered for VAT, when you do register you will have two choices:

1. To add up to 20% VAT to your sales prices, or
2. Reduce your sales price such that - with VAT added - your customers are paying the same price.

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In option 1 you will likely experience a drop-off in sales, and option 2 a fall in gross margins.

In both cases, the disadvantages will be reduced by the VAT input tax on your purchases and expenses that you can deduct from the output VAT added to your sales.

If you are in this position, voluntary registration would not be an advantageous option.

Advantages of being VAT registered

If you sell to other businesses who are registered for VAT, adding VAT to your sales prices should make no difference to your sales volume as the VAT you charge when you do register can be recovered by VAT registered customers.

Additionally, you can recover VAT added to purchases and relevant expenses. If you are in this position, voluntary registration may be an advantageous option.

Like to consider your options?

The comments set out in this alert are generalised and you would need to call and discuss your options in more detail to reach a conclusion.

We would you help decide:

- If you are likely to exceed the £85,000 registration limit and how best to manage this transition.
- If a voluntary registration would be financially beneficial.

If you would like help, please contact us to speak to a member of our dedicated team, please call us on **01753 888211** or email **info@nhllp.com**