Broadcast

SPECIAL ISSUE

FACTSHEET: VAT – REGISTER OR DEREGISTER?

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As a trader, navigating VAT obligations can be a challenge, particularly when understanding when to register or deregister. Keeping an eye on specific goalposts is essential to ensure compliance with HMRC rules and avoid unnecessary penalties or financial inefficiencies. Below is a reminder of the key indicators to watch.

Crossing the registration threshold

The primary trigger for VAT registration is your taxable turnover. From **April 2024**, the VAT registration threshold is **£90,000** in a rolling 12-month period. Key points to consider:

- **Rolling Calculation**: It's not a calendar or financial year but a continuous 12-month period. Regularly review turnover to identify when you're close to or exceed this limit.
- **Anticipation**: If you expect your turnover to exceed £90,000 within the next 30 days, you must register immediately.

Voluntary registration

Even if your turnover is below the threshold, voluntary VAT registration could be beneficial if:

- **You sell to VAT-registered businesses:** If this is the case if you registered you could claim back input VAT paid on your expenses and other VAT inclusive purchases. This recovery of VAT could make your business more profitable. If you sell to businesses that are not VAT registered, the VAT you add to your sales would make your sales more expensive and this may reduce your turnover or force you to drop your prices. In both cases this would likely reduce your profits.
- **You plan to grow quickly**: Being VAT-registered can project credibility and help avoid last-minute compliance headaches.

Taking over a VAT registered business

If you acquire or inherit a VAT-registered business, you may need to register regardless of your personal turnover. Check HMRC guidelines to confirm.

Non-UK and Distance Selling

If you sell goods or services into the UK and meet thresholds for cross-border sales, VAT registration may be necessary under the rules for non-UK businesses.

When to deregister

While VAT registration is obligatory for some, it's not always a permanent requirement. Watch for these indicators:

1. Taxable Turnover Falls Below the Deregistration Threshold

If your taxable turnover drops below **£88,000** (the deregistration threshold from April 2024), you can apply to deregister. This is particularly relevant for businesses experiencing:

- **Temporary Downturns**: Reduced customer demand or economic challenges may lower turnover.
- **Restructuring**: Downsizing operations to focus on non-taxable or exempt supplies could qualify you for deregistration.

2. Ceasing to Trade

If you stop trading or intend to make only VAT-exempt supplies in future, you should deregister to avoid ongoing VAT obligations.

3. Voluntary Deregistration

Even if turnover remains above the deregistration threshold, businesses can apply if future taxable supplies are expected to be nil for a sustained period.

Practical tips for monitoring VAT indicators

1. **Maintain Accurate Records**: Regularly review your income and forecast sales to stay on top of VAT thresholds. Use accounting software for automated alerts.
2. **Monitor Business Growth**: Scaling quickly or launching new revenue streams may push you above the registration threshold faster than anticipated.
3. **Plan for Changes**: If you foresee a decline in turnover or significant changes to your business model, assess whether deregistration might benefit you.

Key dates and reporting

- **Registration**: Notify HMRC within 30 days of crossing the threshold or anticipating it. Delays can result in penalties and backdated VAT.
- **Deregistration**: Once approved, ensure all VAT on remaining stock or assets is accounted for.

We can help

By staying vigilant traders can efficiently manage their VAT obligations and minimise risks. If you need help considering registration or deregistration options, please call us on 01753 888 211.