

# The Ultimate Guide to VAT in the UK



Welcome to our comprehensive guide on Value Added Tax (VAT) in the United Kingdom. VAT is a consumption tax levied on the value added to goods and services at each stage of production or distribution. Whether you're a business owner, a consumer, or simply someone curious about how VAT works, this guide aims to provide you with a clear understanding of this essential aspect of the UK tax system.

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## About GoForma

Since 2019, GoForma has been providing support for UK individuals and companies with their tax, filing and accounting needs.

We provide a highly personalised service with access to a dedicated accountant, industry specialists and bespoke software designed to reduce your admin and optimise your tax.

[Learn more](#)

## Part 1

# VAT in the UK

- [What is VAT](#)
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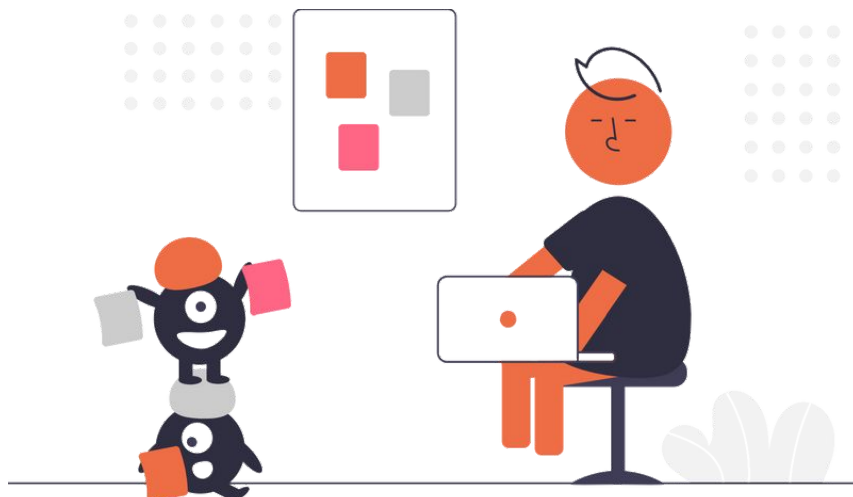
# What is VAT

Value Added Tax (VAT) is a consumption tax levied on goods and services at each stage of production or distribution where value is added. It is charged on:

- Items sold to staff (i.e. staff canteen meals)
- Commissions
- Sale of business assets
- Business sales (i.e. goods or services you provide)

In the United Kingdom, VAT is one of the most significant sources of government revenue, contributing to funding public services and infrastructure.

Businesses collect VAT on behalf of the government by charging it on the goods and services they sell. The VAT collected by businesses is then remitted to the government, typically on a quarterly basis.



# Types of VAT Rates

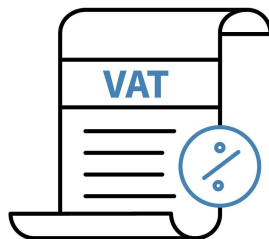
Value Added Tax (VAT) includes different rates depending on the nature of goods or services being provided. Understanding these rates is crucial for businesses to comply with VAT regulations and for consumers to know the tax implications of their purchases. Here are the main types of VAT rates:

1. **Standard Rate (20%):** The standard rate is the most common VAT rate and currently stands at 20% in the UK. Businesses must charge VAT at the standard rate on their taxable supplies unless specific exemptions apply.
2. **Reduced Rate (5%):** Certain goods and services qualify for a reduced rate of VAT, which is lower than the standard rate. Currently set at 5%, the reduced rate applies to items such as children's car seats, domestic fuel and power, and energy-saving materials installed in residential properties.
3. **Zero Rate (0%):** Zero-rated goods and services are still subject to VAT but at a rate of 0%, meaning that no VAT is actually charged to the consumer. Examples of zero-rated items include most food and drink (excluding alcoholic beverages and certain luxury items), books, newspapers, and children's clothing.

# Exempt/Outside the Scope

**Exempt:** Some goods and services are exempt from VAT altogether, meaning that no VAT is charged on them and businesses cannot reclaim VAT on related purchases. Exempt items include certain financial and insurance services, healthcare services provided by doctors and dentists, and the sale or lease of land and buildings (with some exceptions). View the full list of [VAT exempt goods](#) on gov.uk website.

**Outside the Scope:** There are transactions that fall outside the scope of VAT entirely. This means they are neither subject to VAT nor do they qualify for VAT reclaim. Examples include employee salaries, private transactions between individuals, charges imposed by the government and donations to a charity or non-profit organizations.



# VAT Registration Advantages

Registering for Value Added Tax (VAT) can offer several advantages for businesses in the UK. Here are some key benefits of VAT registration:

- **Reclaiming Input VAT:** You can reclaim VAT paid on business-related purchases and expenses. Registered businesses can offset the VAT they have paid on inputs (such as raw materials, supplies, and services) against the VAT they charge on their sales, reducing their overall tax liability.
- **Enhanced Credibility:** VAT registration can enhance a business's credibility, demonstrating that the business has reached a certain level of turnover and is compliant with tax regulations.
- **Claiming Bad Debt Relief:** Registered businesses may be eligible to claim bad debt relief for any outstanding invoices that remain unpaid after a specified period.
- **Access to EU Markets:** For businesses engaged in international trade, VAT registration may be a requirement for trading with other European Union (EU) countries.

# VAT Registration Disadvantages

While Value Added Tax (VAT) registration offers several benefits for businesses, there are also potential disadvantages associated with becoming VAT-registered. Here are some key considerations:

- **Administrative Burden:** VAT registration introduces additional administrative responsibilities for businesses, including maintaining detailed records of sales and purchases, submitting VAT returns to HMRC, and keeping track of VAT invoices.
- **Cash Flow Impact:** VAT-registered businesses are required to charge VAT on their sales and remit the collected VAT to HMRC, even before receiving payment from customers. This can have a significant impact on cash flow, especially for businesses with long payment cycles or seasonal fluctuations in revenue.
- **Price Sensitivity:** Charging VAT on goods and services may make them more expensive for consumers, potentially reducing demand and affecting sales volumes.



## Part 2

# VAT Registration

- [When to Register for VAT](#)
- [How to Register for VAT](#)
- [Documents Required for VAT Registration](#)
- [After VAT Registration Responsibilities](#)
- [VAT Accounting Schemes](#)

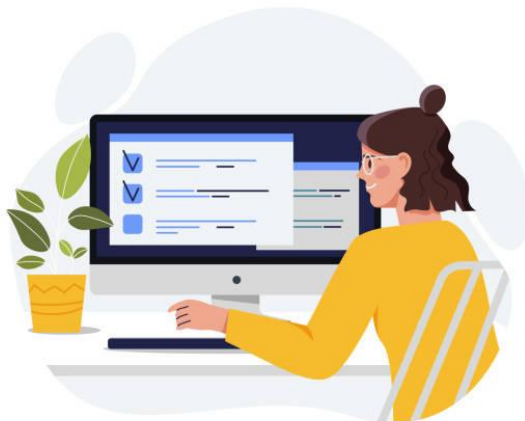
# When to Register for VAT

Registering for Value Added Tax (VAT) is a critical step for businesses that meet certain criteria.

Understanding when to register for VAT is essential to ensure compliance with HMRC regulations. Here are the key factors to consider:

- Businesses must register for VAT with HMRC if their taxable turnover exceeds the current VAT threshold (2024), which is £90,000 within a rolling 12-month period. Taxable turnover includes the total value of goods and services supplied by the business that are not exempt from VAT.
- Businesses that expect their taxable turnover to exceed the VAT threshold within the next 30 days must also register for VAT.

You need to [register for VAT](#) within 30 days of fulfilling any of these conditions.



# How to Register for VAT

Registering for Value Added Tax (VAT) is a straightforward process. Here's a step-by-step guide on how to register for VAT in the UK:

- **Check Eligibility:** Determine if your business is required to register for VAT by checking if your VAT taxable turnover exceeds the current registration threshold (£90,000 as of 2024) or is expected to exceed this threshold in the next 30 days.
- **Prepare Information:** Gather the necessary information and documents required for VAT registration.
- **Choose Registration Method:**
  - Online Registration: Visit the HMRC website and [register for VAT online](#) using the Government Gateway portal..
  - **Register by Post:** You can complete a [paper VAT registration form \(VAT1\)](#) and mail it to HMRC if you seek a special registration exemption, are enrolling in the Agricultural Flat Rate Scheme, or need to register separate divisions or business units of a corporate body under distinct VAT numbers.
  - **Appoint an Accountant:** You can appoint an accountant to register for VAT, submit your VAT Returns and deal with HMRC on your behalf.

- **Submit Application:** Complete the VAT registration form and submit it to HMRC for processing.
- **Receive VAT Registration Confirmation:** After processing your VAT registration application, HMRC will issue a VAT registration number and a VAT certificate confirming your registration. This usually takes a few weeks, but you may receive confirmation sooner in some cases.



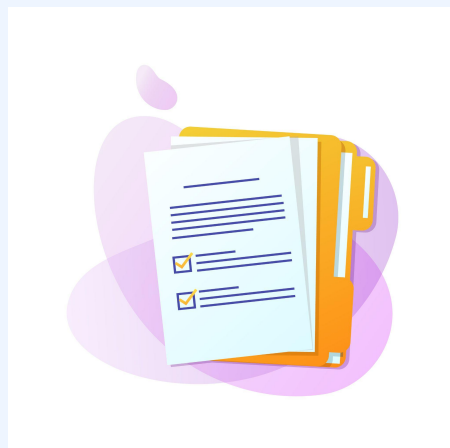
# Documents Required for VAT Registration

## **for limited company:**

- Company registration number
- Business's bank account details
- Unique Taxpayer Reference (UTR)
- Details of annual turnover
- Self Assessment
- Corporation Tax
- Pay As You Earn (PAYE)

## **for individual or partnership:**

- National Insurance number
- Identity document: passport or driving licence
- Bank account details
- Unique Taxpayer Reference (UTR), if you have one
- Details of annual turnover
- Self Assessment return
- payslips
- P60



# After VAT Registration Responsibilities

Once your business is registered for VAT, there are several important steps to take and ongoing responsibilities to fulfill.

- **Update Business Operations:** Make sure your business operations are aligned with your VAT registration status. This includes:
  - Charging the correct amount of VAT on taxable supplies to customers. Update your pricing and invoicing systems to include VAT where applicable.
  - Issuing VAT invoices to VAT-registered customers for all taxable supplies made.
  - Displaying your VAT registration number on invoices, contracts, and other business documents.

- **Maintain Accurate Records:** Keep detailed and accurate records of all VAT transactions, including sales, purchases, and VAT payments. Maintain records of VAT invoices issued and received, as well as any VAT adjustments or corrections made.

From April 2022 onwards, to comply with Making Tax Digital (MTD), all VAT-registered businesses must maintain their VAT records, irrespective of their annual turnover, using compatible digital software. Records to keep:

- Business name, address, and VAT registration number.
- Details of any VAT accounting schemes you use.
- VAT on both supplies made (e.g., sales, leases, transfers) and supplies received (e.g., purchases, leases, rentals).
- Adjustments made to VAT returns.
- Time and value of supply for all transactions.
- VAT rates applied to supplies.
- Reverse charge transactions.
- Daily gross takings (if utilizing a retail scheme).
- Items eligible to reclaim VAT under the Flat Rate Scheme.
- Total sales and associated VAT (applicable to businesses trading in gold under the Gold Accounting Scheme).

- **Submit VAT Returns:** You need to [submit your VAT return](#) online quarterly, even if you don't have VAT to pay or reclaim. How often you have to do this depends on the VAT scheme you choose.

Even with MTD, you still have to meet the same deadlines for submitting your VAT returns. You have to send in your VAT return and pay any money owed within a month and seven days after the end of each VAT period.

For example, if your VAT period ends on 31 March 2025, you must submit your VAT return by 7 May 2025. If you don't do this on time, HMRC will charge you a penalty.



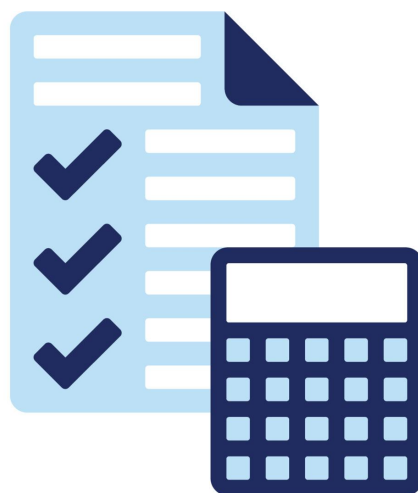


# VAT Accounting Schemes

VAT accounting schemes offer alternative methods for businesses to calculate and manage their VAT liabilities. These schemes are designed to simplify VAT accounting and reporting. Here's an overview of the main VAT accounting schemes available in the UK:

- **Standard VAT Accounting:** This is the default method for VAT accounting, where businesses account for VAT based on the tax point (or time of supply) for goods and services they sell or purchase. VAT is calculated on invoices issued and received, and VAT returns are submitted quarterly.
- **Flat Rate Scheme (FRS):** Under this scheme, businesses with an annual turnover below £150,000 (excluding VAT) can simplify their VAT accounting by applying a fixed flat rate percentage to their gross turnover.

- **Cash Accounting Scheme:** With this scheme, businesses only account for VAT on sales and purchases when they receive payment or make payment, rather than when invoices are issued or received.
- **Annual Accounting Scheme:** This scheme allows businesses with an annual turnover below £1.35 million to submit a single VAT return and make interim payments towards their VAT liability on a monthly or quarterly basis. At the end of the accounting period, a final adjustment is made to account for any differences between the interim payments and the actual VAT liability.



### Part 3

# VAT Reporting Requirements

- [Paying Your VAT Bill](#)
- [VAT Deadlines](#)
- [Penalties](#)

# Paying Your VAT Bill

Once a business has calculated its VAT liability for a given accounting period, it's essential to pay the VAT bill to remain compliant with VAT regulations. Here's a guide on how to pay your VAT bill:

1. Calculate the total VAT liability for the VAT accounting period by subtracting input VAT (VAT paid on purchases) from output VAT (VAT collected on sales).
2. Determine the deadline for paying your VAT bill. VAT payments are typically due one month and seven days after the end of the VAT period covered by your VAT return.
3. Choose a suitable payment method to submit your VAT payment to HMRC. You can pay online using HMRC's secure online payment service, set up a direct debit for automatic payments, or pay by bank transfer.
4. If you used online service for VAT payment, HMRC will immediately give you a payment reference number. Or, within 3 to 5 days, you can see the payment reflected in your VAT online account if you used other payment methods.

# VAT Deadlines

## VAT Return Deadline

The deadline for submitting your VAT return online is usually 1 month and 7 days after the end of your accounting period. This is also the deadline for paying HMRC. You need to allow time for the payment to reach HMRC's account.

## VAT Payment Deadline

- **Payment Period:** VAT payments are typically due one month and seven days after the end of the VAT period covered by your VAT return. For example, if your VAT return covers the period ending on 31st March, the payment deadline would be 7th May.
- **Quarterly Payments:** Most businesses submit VAT returns quarterly, meaning that VAT payments are due every three months.
- **Monthly or Annual Payments:** Some businesses may have different VAT payment frequencies based on their turnover or chosen VAT accounting scheme. For example, businesses using the Annual Accounting Scheme may make monthly or quarterly interim payments towards their VAT liability, with a final payment due at the end of the accounting period.

# Penalties

## Late VAT Filing Penalty

Submitting your VAT return after the deadline incurs penalties, with each late submission resulting in a penalty point. This applies even if you file nil returns.

On reaching your penalty point threshold which is determined by your accounting period (whether monthly, quarterly, or annually), you'll get a £200 penalty. Additionally, for each subsequent late submission while at the penalty threshold, another £200 penalty is charged.

You can conveniently access your points through your online account.

## Late VAT Payment Penalty

If you pay your VAT bill late, you can get a penalty. The amount you're charged for the penalty depends on how late your payment is. The penalty increases after 16 days and then again after 31 days.

You'll also be charged late payment interest starting from the first day your payment is overdue until you pay the full amount. This applies even if you're paying in instalments.

## Part 4

# De-registering for VAT

- [Cancelling Your VAT Registration](#)
- [After Cancelling VAT Registration](#)

# Cancelling Your VAT Registration

If your business circumstances change and you no longer meet the VAT registration criteria, you may need to cancel your VAT registration with HMRC. Here's how you can cancel your VAT registration:

- **Reasons for Cancellation:** You may need to cancel your VAT registration if:
  - You're no longer eligible for VAT registration, for example, if your turnover falls below the VAT registration threshold i.e £90,000 .
  - You're ceasing trading or closing your business.
  - Your business structure changes, such as becoming part of a VAT group.
  - You're no longer making taxable supplies in the UK.
- You can cancel your VAT registration online using the [HMRC portal](#) or by completing and submitting the [VAT7 form by post](#).
- HMRC typically confirms your cancellation within 3 weeks and provides the official cancellation date. HMRC will send the confirmation either to your VAT online account or via postal mail (If you have applied through post).



# After Cancelling VAT Registration

Once you've successfully cancelled your VAT registration, there are several important steps to take and considerations to keep in mind.

- Stop charging VAT on your sales transactions. Update your invoicing systems and notify your customers that you are no longer registered for VAT.
- Update business operations to reflect the cancellation of your VAT registration. This includes updating your invoices, sales documentation, and accounting systems to no longer include VAT charges or references.
- Keep all VAT records for at least six years following the deregistration date to comply with HMRC record-keeping requirements.
- Submit a final VAT return covering the period up to and including the cancellation date. Ensure that all outstanding VAT obligations are accounted for and settled before closing your VAT account.

## Part 5

# Support for VAT by GoForma

- [VAT Filing Process at GoForma](#)
- [Free VAT consultation](#)
- [Hire a Small Business Accountant](#)
- [Free VAT Registration](#)
- [Why GoForma?](#)

# VAT Filing Process at GoForma

We want to make sure that you're always on top of your deadlines, especially VAT. Know how the VAT filing process works at GoForma and some key dates you'll need to know.

Given the volume of queries and the number of VAT returns we have to file by the 7th of each month, we really appreciate it when you can submit details for us early!



# How the GoForma VAT process works

Here is a short example overview of how the VAT process works for someone with a VAT quarter end of March.

**Your VAT quarter ends**  
Your VAT quarter starts from  
1st January 2024 and ends on **March 31st 2024.**

**We send you a notification**  
We'll send you a notification of your quarter ending on  
**1st April 2024.**

GoForma  
does this

**You check and update any transactions**

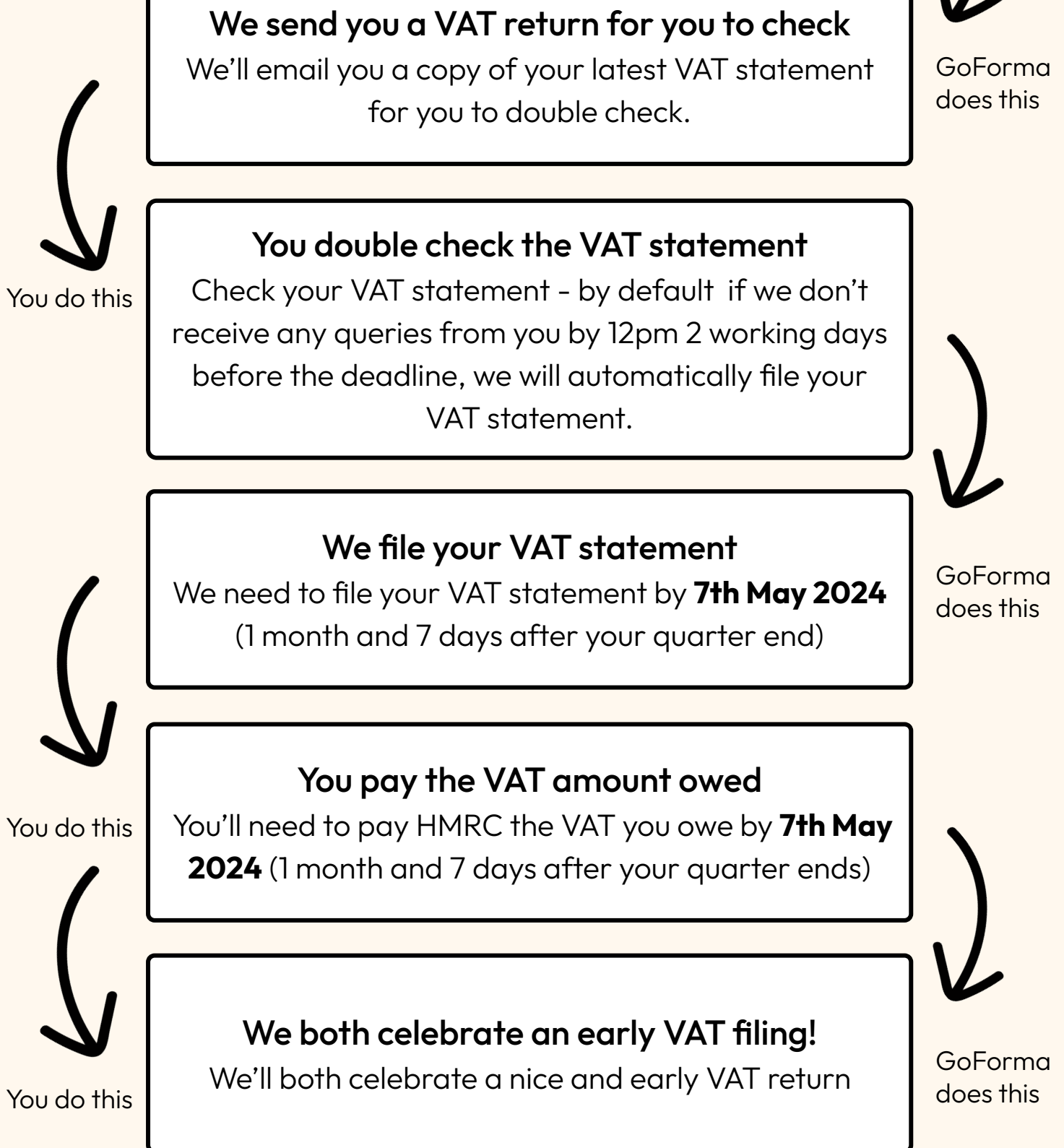
You'll need to check your latest transactions and  
expenses are included in FreeAgent up to 31st March.

You do this

**You send us a bank statement**

You'll need to email us a copy of your latest bank  
statement ending on 31st March 2024.

You do this



# VAT Quarters, Payments & Automatic Filing Dates:

To simplify the VAT filing process, we will automatically submit your VAT statement unless you have submitted any final queries before 12pm 2 working days before the deadline.

## **Example - your filing is due on a weekday**

Your VAT filing and payment deadline is **Friday 7th June**. Unless we have received any outstanding queries from your **before 12pm on Thursday 6th June**, we will automatically submit your VAT statement to avoid a late filing.

## **Example - your filing is due on a weekend**

Your VAT filing and payment deadline is **Sunday 7th July**. Unless we have received any outstanding queries from your **before 12pm on Thursday 4th July**, we will automatically submit your VAT statement to avoid a late filing.

# VAT Filing Dates for Jan/ Apr/ Jul/ Oct:

If your VAT quarter ends in **January, April, July and October** - these are some examples dates for you to know:

VAT quarter	Filing due	Filing query cut off
Feb 1st 2024 to April 30th 2024	Friday 7th June 2024	Thursday 6th June 2024
May 1st 2024 to July 31st 2024	Saturday 7th September 2024	Thursday 5th September 2024
August 1st 2024 to October 30th 2024	Saturday 7th December 2024	Thursday 5th December 2024
November 1st 2024 to January 31st 2025	Friday 7th March 2025	Thursday 6th March 2025

# VAT Filing Dates for Feb/May/Aug/Nov:

If your VAT quarter ends in **February, May, August and November**– these are some examples dates for you to know:

VAT quarter	Filing due	Filing query cut off
March 1st 2024 to May 31st 2024	Sunday 7th July 2024	Thursday 4th July 2024
June 1st 2024 to August 31st 2024	Monday 7th October 2024	Friday 4th October 2024
September 1st 2024 to November 30th 2024	Tuesday 7th January 2025	Monday 6th January 2025
December 1st 2024 to February 28th 2025	Monday 7th April 2025	Friday 4th April 2025



# VAT Filing Dates for Mar/Jun/Sep/Dec:

If your VAT quarter ends in **March, June, September and December** – these are some examples dates for you to know:

VAT quarter	Filing due	Filing query cut off
Jan 1st 2024 to March 31st 2024	Tuesday 7th May 2024	Monday 6th May 2024
April 1st 2024 to June 30th 2024	Wednesday 7th August 2024	Tuesday 6th August 2024
July 1st 2024 to September 30th 2024	Thursday 7th November 2024	Wednesday 6th November 2024
October 1st 2024 to December 31st 2024	Friday 7th February 2025	Thursday 6th February 2025

# VAT Support by GoForma

## [Schedule a free VAT consultation:](#)

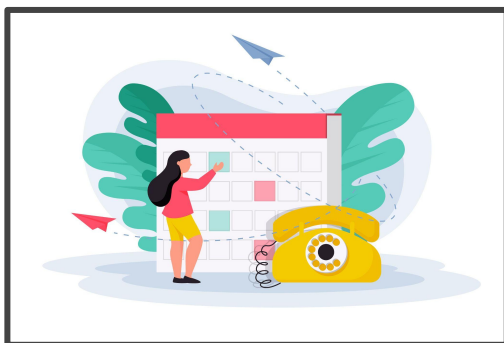
We can help walk answer any general UK VAT questions you may have in a free 20 minute consultation.

## [Hire a Small Business Accountant:](#)

Ready to simplify VAT complexities effortlessly? Hire our skilled small business accountants today, and let us expertly manage your VAT obligations.

## [Free VAT Registration:](#)

Sign up for any of our business accounting packages and enjoy FREE VAT registration included!



**Book a free  
accounting  
consultation**

**Schedule a call**

# Why GoForma?

Some of the key reasons to use GoForma:

- Unlimited bookable support with a dedicated accountant
- Personal tax support for self assessment filing, VAT registration, VAT return, and more
- Business accounting support for Limited Companies, Sole Traders and Umbrella Companies
- 20+ unique partner offers on insurance, banking and software
- All your HMRC and Companies House filing sorted

100+ 5 star reviews on [Trustpilot](#) and [Google](#):



The team at GoForma are very responsive and nothing ever seems like too much trouble for the team.



Incredibly friendly, knowledgeable and transparent advice from Jawad. Such a pleasure to chat with him.



I could not be more happy about our experience with GoForma. We had many quotes from other accountants before choosing GoForma, but nobody gave us such a professional impression