

HOW TO REGISTER FOR VAT

Introduction

A business is required to register for VAT, if at the end of any month, its taxable supplies in the last year exceeds the registration threshold which is currently £85,000. VAT Registration is required earlier for businesses that expect to exceed the threshold entirely within the following 30 days.

The VAT registration is made in the name of a company, the named partners in a partnership, or the name of a sole proprietor. Where there is more than one business activity, even if they are operated independently from each other, all the business activities are covered by one VAT registration. Where there are several companies with common ownership, you can choose to register each individually, or create a single VAT Group registration.

What you will need

You will require the following information in order to complete a VAT registration form:

- For a company, the certificate of incorporation or incorporation details
- If you are already trading, monthly sales details for the last twelve months
- Business bank account details
- If you acquired the business, details of the business that has been transferred, including its VAT number
- Details of associated businesses during the last two years
- For the person registering or the person signing the application, their National Insurance number or tax identity number.

If the business is in property or construction you will be required to submit additional information; for example details of the property, your business plans and intentions, which are usually detailed on a form VAT5L. You may also need to submit an option to tax - for more information see our property flyer.

Your VAT registration may be received relatively quickly, for example two to three weeks, but if you are a start up, or fail to submit all the information it can take much longer.

How to register

Most businesses can register online including a group of companies that can register under one VAT number. By registering online you will create a

VAT online account, often known as a 'Government Gateway account' which you will require in order to submit your VAT returns to HMRC. If you do not register online you will need to sign up for a VAT online account.

The following VAT registrations cannot be made online:

- You want to apply for exception or exemption from registration
- You are an EU business making distance sales to the UK
- You import goods worth more than £85,000
- You are joining the Agricultural Flat Rate Scheme
- You are registering the divisions or business units of a company under separate VAT numbers
- You are a non UK business that is selling assets on which VAT has been claimed from HMRC under what is called the 13th Directive. You may register voluntarily if:
- You make UK sales that are not exempt but have not met the compulsory registration criteria
- You do not make UK sales but intend to in the future.

When to register

You must register if:

- Your business is not established in the UK and you make any sales that are not exempt in the UK
- Over the last twelve months your UK sales which are not exempt sales exceed the VAT threshold - £85,000 from 1 April 2017
- You import goods into the UK worth more than the threshold of £85,000
- At any time if over the next 30 days alone, you expect your UK sales that are not exempt to exceed the threshold of £85,000.

Example

On 22 June Tosh Webster determines that his UK sales for the twelve months to 31 May have breached the VAT threshold. Tosh Webster must submit his VAT registration application by 30 June for registration from 1 July.



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Example

On 19 October Pat Hempel realises that her UK sales over the next 30 days alone, will exceed the threshold. By 19 November Pat Hempel must submit her VAT registration application for registration from 19 October.

If you are required to register but fail to do so, or do so later than your registration date, you are likely to be liable to a penalty which is geared to the net VAT that you consequently pay to HMRC later than would otherwise have been the case.

VAT on purchases made before VAT registration

There is a time limit for backdating claims for VAT paid before registration. From your date of registration the time limit is:

- four years for goods you still have, or that were used to make other goods you still have; and
- six months for services.

You can only reclaim VAT incurred on purchases for the business that is now registered for VAT. The purchases must relate to the business and to the sales that it makes. The VAT should be reclaimed on your first VAT return after registration. You should keep records including:

- Invoices and receipts
- Details of the expenditure and dates
- Information as how they relate to the UK sales made after VAT registration.