

## REGISTRATION AND ADMINISTRATION

### Registration for VAT

The thresholds for VAT registration are different to those applying in Ireland. The thresholds are higher. There is a single rate for goods and services and there are two rules which must be considered. The obligation to register for VAT arises if goods and services of more than £67,000 have been supplied in the last 12 month period or if it is anticipated that taxable goods and services valued at more than £67,000 will arise in the next 30 day period alone.

It is possible to register and charge VAT wholly electronically. The VAT return itself is a simple form detailing gross purchases, inputs etc. However, the underlying records must be kept to justify it. The standard rate (now 15%) applies to nearly all goods. The reduced rate of 5% applies to a small number of goods such as domestic fuel, energy saving installations for dwellings. The zero rate apply amongst other things to some foods, books, children's clothing.

The application to register for VAT takes a number of months and the Revenue will back date the commencement date to the relevant point and time when the threshold is crossed. Once the thresholds are exceeded the onus is on the business to charge VAT, so that it has it to hand once the return must be made.

The £67,000 figure applies to vatable goods. Certain types of businesses are exempt from VAT. For example, many financial services, educational services, insurance are VAT exempt.

It is possible to voluntarily register for VAT below the threshold. This will enable the reclaim of VAT on purchases. If the business is supplying to VAT registered businesses, the charging of VAT may ultimately be immaterial, the VAT can b reclaimed.

## **VAT Administration**

All registered traders have to complete a VAT return in every period and pay over VAT due to HMRC or reclaim VAT payable.

Where a trader has a VAT liability exceeding £2 million per annum monthly payments on accounts are required. Payments to the end of months two and three are 1/24th of the annual liability of the previous year. Additional amounts are paid with the normal VAT returns.

Businesses must keep records of all goods and services received and supplied in the course of business. They must be sufficient to allow the VAT return to be completed and allow HMRC to check the returns.

Records must be kept up to date and preserved for 6 years. Copies of all VAT invoices, records of outputs i.e. sales books, evidence supporting claims for recovery, records of inputs i.e. purchases and VAT accounts must be kept.

A VAT invoice must be issued when a standard rate supply is made to a VAT registered business. A VAT invoice must be issued within 30 days of the date of the taxable supply. The original VAT invoice is to be sent to the customer and forms part of their evidence in reclaiming input VAT. A copy must be retained by the supplier to support the cancellation of output VAT. The VAT invoice must contain details of supplier's name and address, VAT registration number, tax point i.e. the date, customer's name and address, description of goods, rate of VAT, amount of VAT, total amount before and after VAT.

Retailers selling goods and services to the general public or providing services are subject to less detailed requirements. They need only produce a VAT invoice if a customer requests it. The invoice can be less detailed than normal if the consideration for the supply is less than £250. The less detailed invoice must show the retailer's

name, address and VAT number, date of supply, description of goods, price and the rate of VAT.

VAT must be paid to the United Kingdom Revenue known as HM Revenue & Customs (HMRC). VAT is usually payable quarterly. A VAT return must be made and the VAT paid by the 30th day after the third month. Therefore VAT for January, February and March will be due by 30th April.

There are obligations in relation to record keeping, administration and cash flow that arise with VAT registration. A VAT registered business must issue VAT invoices. The information contained is similar to that contained in Irish VAT invoices. VAT invoices must be kept for all purchases in order to reclaim VAT. A record must be kept of all VAT purchases.

There are three rates of VAT in the UK. The standard and maximum rate is 15%, (recently reduced from 17.5%) a reduced rate of 5% and 0% rate. 0% rate has the advantage of allowing the zero rated trader to reclaim VAT and charge 0% VAT.

VAT records must be kept complete and up to date. HMRC is entitled to inspect them and the figures used to fill in the VAT return. VAT invoice must be set out correctly and show the rate and amount of VAT together with the VAT number.

A VAT invoice must contain the following:-

- a unique and sequential identifying number
- date and time of supply (date goods are sold or delivered or service supplied whichever is earlier)
- name and address of the business
- customer's name and address
- VAT number
- sufficient description to identify the service or goods
- quantity with the unit price and rate of VAT
- amount of VAT

- rate of any cash discount

An account must be kept of all VAT charged on sales and VAT incurred on purchases. It is generally possible to integrate VAT accounts with the general accounts of the business.

If errors are found in a VAT return, they must be dealt with immediately. If the combined errors are less than £2,000 it is possible to adjust the VAT account and include the value of the adjustment in the next return.

A default surcharge arises if a VAT return is not submitted in time or is late. There is a surcharge penalty depending on the number of defaults.

VAT is a self assessment tax. HMRC can make controlled visits to check compliance. They have power to enter businesses, inspect documents including profit and loss accounts and balance sheets, take samples and inspect computer records.

There are penalties for serious mis-declarations. A mis-declaration is one over 30% of the gross amount of VAT or £1 million. The penalty is 15% of the VAT that would have been lost if the mis-declaration had not been discovered.

Interest is charged if HMRC raise an assessment or an error is voluntarily disclosed and the net value of the error exceeds £2,000.

---

This Guide is intended as an overview and broad outline of the matters covered in it. Its purpose is to inform and raise awareness. We are happy to offer specific legal advice on particular circumstances.

This Guide should not be relied on as a substitute for comprehensive legal advice with reference to the particular circumstances.

While we have taken due care in the preparation of this publication, we do not accept legal liability as a result of any reliance placed on anything in this Guide. The reader should rely only on specific legal or taxation advice.