

MPH Accountants

# FAQ's VAT



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## Contents

VAT and registering	Page 2
Choosing a VAT scheme	Page 3
De-Registering for VAT	Page 3
VAT Return paperwork	Page 4
When to submit a VAT return	Page 4

## Q. What is VAT?

VAT is short for Value Added Tax and is a tax on the provision of goods and services. VAT is charged on most goods and services and HMRC collects it through businesses that are registered for VAT. VAT registered businesses are required to submit their VAT returns electronically to HMRC via the Government Gateway.

## Q. How do I register for VAT?

If your turnover has exceeded the VAT threshold or if you wish to voluntarily register for VAT, you can register online using your company's Government Gateway account or if your company does not have one, you can create a Government Gateway account and register for VAT all in one process. You can appoint an accountant or agent to complete this for you or alternatively, you can complete an application for registration form (VAT1) and post it to HMRC.



## Q. Can you help with VAT registration?

Yes. If your business turnover exceeds the VAT threshold within a 12-month period, you are required to register for VAT and must do so within 30 days. The threshold is based on the total value of your taxable sales and not sales exempt from VAT or outside the scope of VAT. However, you can register for VAT voluntarily if your business turnover is below the threshold. Some businesses choose to do this to reclaim VAT on costs.

## Q. VAT de-registration – what do I need to do?

You can ask HMRC to cancel your registration if your VAT taxable turnover falls below the de-registration threshold. You can de-register for VAT by completing the application for de-registration – it's called VAT 7 form. Alternatively, you can do it online. It cannot be processed unless you have all VAT returns and payments up to date.

It usually takes three weeks for HMRC to confirm your de-registration and the official de-registration date. A confirmation will be sent to your VAT online account or through the post if you don't apply online. From the date of de-registration, you must stop charging VAT but must keep your VAT records for 6 years.

You will have to submit a final VAT return for the period up to and including the de-registration date.



## Q. How do I determine which VAT scheme I should use to calculate my VAT?

There are various schemes that you can use to calculate your VAT. You can either use the standard scheme which is based on the date of invoices raised, or a cash accounting scheme which is based on invoice payments paid or received, the flat rate scheme which is where VAT payable to HMRC is based on a flat percentage based on your business activities, or a retail VAT scheme which requires you to work out the value of your total VAT taxable sales and the proportion of sales that are standard/reduced and zero rated applying the VAT fraction to your VAT calculation. Determining the scheme you use will be dependent on the type of business that you run and it's always advisable to seek advice from an accountant, agent or HMRC, and to complete a basic estimate of VAT calculation to ensure that your business calculates VAT on the correct scheme which suits your business.

Q. What paperwork do I need to provide you with for you to complete my VAT return?

Generally, we will need all business bank/credit card statements along with a list of any cheque/paying in details. We will also need all sales and purchase invoices along with any remittances/credit notes. You can either drop your paperwork into our office, scan it and email it over or post it, it's whatever suits you best.



Q. When must the VAT return be submitted and paid, and what happens if I'm late?

You have one calendar month and 7 days to complete, submit and pay your VAT return. For example, if your VAT return was for the period 01 November 2016 to 31 January 2017, the deadline for this would be 07 March 2017. You will need to allow time for the payment to reach HMRC's account. If you have a direct debit set up, the payment will automatically be taken on or around the 10<sup>th</sup> of that month.

If you miss the deadline and do not pay or submit your VAT return, HMRC will record this as a 'default', which means you may enter a 12-month 'surcharge period'. If you default again during this time, the surcharge period may be extended for a further 12-months and you may have to pay an extra amount (a 'surcharge') on top of the VAT you already owe. The surcharge rate increases every time you default in a surcharge period. However, you will not receive a surcharge if you submit a late VAT return and pay your VAT in full by the due date, have no tax to pay or are due a repayment.