

HANDY GUIDES

VAT – Know when to register and which scheme to use

Value Added Tax (VAT) is a tax that applies to most business transactions involving the transfer of goods and services. Once your business turnover is estimated to go over £67,000 (2007/8 £64,000) you will have to register for VAT. This means that whenever you buy or sell anything in the course of your business, you will have to charge VAT on your sales, keep proper VAT records on your incoming and outgoing transactions and make regular returns to HM Revenue and Customs. If your turnover is below the VAT threshold you can voluntarily register for VAT.

Starting from your date of VAT registration you must issue VAT invoices. You will need to keep a record of the VAT that you charge on your invoices. This is your output tax.

You must have a VAT invoice for all your purchases if you are reclaiming VAT paid. You will need to keep a record of the VAT paid. This is your input tax. If you have more output tax than input tax then the company must pay the difference to HM Revenue and Customs. If the reverse is the case then a refund will be due to the company.

There are 3 rates of VAT:

- A standard rate, 17.5%
- A reduced rate, 5%
- A zero rate, 0%

Certain goods and services are exempt and no VAT is charged to the customer. If you supply exempt goods and services then you cannot register for VAT and you cannot claim the VAT back on any purchases.

HM Revenue and Customs operate a number of VAT administration schemes to assist businesses to manage their VAT obligations. Information on these schemes is available on the HM Revenue and Customs website.

Strict penalties exist regarding late registration and submission of late returns. VAT is an area where much care is needed and professional advice will often be required.

HM Revenue and Customs have a team of Inspectors who make regular visits to VAT-registered businesses, to interrogate the accounting records and check the information shown on the returns. This is quite routine, and should not be a cause for concern, provided of course that the VAT returns have been completed correctly.

Why choose Purple?

If you have appointed Purple to be your VAT Agent, we will complete your VAT return and deal with any queries from the VAT office on your behalf. We will also advise on the most appropriate VAT scheme for your business.

Contact us:

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