

# VAT GUIDE FOR BUSINESSES

September 2018



# VAT – THE BASICS

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## 1. What is VAT?

VAT or Value Added Tax is a tax levied on the sale of goods or services. VAT is currently set at a standard rate of 20%. It is collected by companies for HMRC and the total is usually the amount of VAT collected, minus what a company has paid.

## 2. What is liable for VAT?

HMRC lists hiring or loaning goods, business assets, commission, goods sold to staff, business goods used for personal reasons and 'non-sales' such as bartering, gifts and part-exchange, as all liable for VAT.

## 3. When can you charge VAT?

The current threshold set by HMRC is a turnover of more than £85,000. If your business' turnover is under the VAT threshold, you can still register for VAT but you should only do so if your business will benefit, for example if you sell to businesses who charge VAT.

## 4. Do I have to charge VAT?

Once you have registered your business for VAT you must charge VAT on all goods and services you sell. You may also be liable for VAT when you sell business assets and commission.

## 5. When do I need to send a VAT return?

If you are a VAT registered business you must send a VAT return to HMRC every three months. If you have charged more VAT than you have paid you will have to pay the difference, but if you have overpaid you will be able to reclaim the excess from HMRC.

# REGISTERING FOR VAT

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You must register for VAT with HMRC if your business has a taxable turnover of more than £85,000. Once registered you will receive a VAT registration certificate, VAT number, when to submit your first return and the 'effective date of registration.'

## VAT rates

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### Standard rate

Most goods and services

**20%**

### Reduced rate

Some goods and services e.g. children's car seats and home energy

**5%**

### Zero rate

Zero-rate good and services e.g. most food and children's clothes

**0%**

As a business it is your responsibility to choose the correct rate to charge on your goods or services.

# WHAT SHOULD BE IN A VAT RETURN?

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You must submit an online VAT return to HMRC every three months.

The VAT return must cover:

- All sales and purchases
- The amount of VAT you owe
- The amount of VAT you can claim
- What the VAT refund is

You must also submit a final VAT return once you cancel your VAT registration.