

# UK Value Added TAX



# Introduction

- VAT is a tax charged by VAT-registered businesses on most goods and services in the UK.
- It is also charged on goods and some services that are imported from outside the European Union (EU) and brought into the UK from other EU countries.
- If a VAT-registered business is charged VAT when it buys goods or services, it can generally reclaim the VAT it has incurred and if the entity is not VAT-registered, then normally it cannot recover VAT it is charged.
- The VAT registered charge customers VAT on top of their sales price, collect the cash and then pay it over to HM Revenue & Customs - minus any VAT they've incurred on their purchases.

# VAT Threshold

## ➤ Domestic Business

- A business must register for VAT if its taxable turnover(Except exempt items) for any consecutive 12-month period exceeds the VAT registration threshold. The current VAT registration threshold (from 1 April 2017) is £85,000 but this tends to increase every year.
- There is also an obligation to register for VAT if you think your business' turnover will exceed the threshold within just 30 days.
- There are other scenarios when VAT registration becomes compulsory, for instance if you are trading outside of the UK.

# VAT Threshold

## ➤ Foreign Businesses/Company

- For foreign businesses trading in UK that are VAT/GST/Tax registered in their home state, the VAT registration threshold is nil. Non-established businesses supplying taxable goods or services in the UK are therefore obliged to register for VAT regardless of turnover.

## ➤ E-Commerce

- For EU VAT registered companies selling goods over the internet to consumers in UK, the VAT registration threshold (distance selling) is £70,000 per annum

# Registration of a Foreign Business in UK

Within 1 month of opening a UK establishment, an overseas company must deliver to Companies House the following information:

- a completed 'Registration of an overseas company opening a UK establishment' application (form OS IN01)
- the standard registration fee of £20
- a certified copy of the company's constitutional documents (e.g. charter, statute, memorandum and articles of association etc) with a certified translation in English if the original is in a language other than English
- a copy of the company's latest set of accounts (with a certified translation in English if the original is in a language other than English) if an overseas company is required to prepare and deliver accounts under parent law. There are different accounting requirements depending on whether the company was incorporated in an EEA or non-EEA state.

Please note: If the fee is not included the documents will be rejected. Cheque should be made payable to Companies House.

# Scenarios which requires UK VAT Registration

- Importing goods into the EU via the UK
- Buying and selling goods within the UK
- Holding goods in a warehouse in the UK as stock
- Selling goods from the UK to other EU countries
- Acquiring goods from other EU countries into the UK
- Distance selling to private individuals in the UK from another EU country, e.g. internet retailing.

# Registration for UK VAT

## Form VAT1

- The Company is required to fill Form 1 online for supply of goods and/or services to the UK

## Form VAT1A

- In case of distance selling form VAT1A is to be submitted to the HMRC NON Established Taxable Person (NEPT).

# Offline Registration of UK VAT

The Business can be registered by post using VAT1 if:

- You want to apply for a 'Registration Exception'
- You are joining the 'Agricultural Flat Rate Scheme'
- You are registering the divisions or business units of a body corporate under separate VAT numbers

Register by post using Form:

- VAT1A if you are an EU business 'distance selling' to the UK
- VAT1B if you import ('acquire') goods worth more than £85,000 from another EU country
- VAT1C if you're disposing of assets on which 8th or 13th Directive refunds have been claimed

When you receive your VAT number from HMRC, you can sign up for a VAT online account.

# Documents Required to Register for VAT

- National Insurance (NI) number or 'tax identifier' - a unique taxpayer's reference
- Certificate of incorporation/incorporation details
- Details of all associated businesses within the last two years
- Business bank account details
- Details of the business that has been transferred (acquired), if appropriate

# Annual Return

## ➤ Deadline for return filing

- The due date for the submission of the VAT return is usually one month and seven days after the end of the VAT period (Check payment deadline in the VAT online account).
- Usually a VAT Registered Business need to submit a VAT return and any payments due to HM Revenue and Customs (HMRC) on a quarterly basis.
- HMRC will issue a VAT return that must be delivered no later than 30 days after the end of the quarter (the exact date will be stated on the VAT return form). Businesses that don't submit their VAT return on time can face strict penalties

# Annual Return

## Annual Accounting Scheme

- If your estimated VAT taxable turnover is less than £1.35 million, you could use the Annual Accounting System. This scheme means you'd only need to submit a single VAT return per year. This would normally be submitted 2 months after the end of the scheme year.
- In this Scheme, the person is required to pay advance vat based on the last return (or an estimate if this will be your first one).
- When you submit your VAT return, if there's a difference between what is been already paid and final VAT bill, the person either have to make a final payment if under-paid, or receive a refund if over-paid.

# Penalty for Late Filing of Return

Annual Turnover	Less than £150,000	£150,000 or more
Second default within 12 months	None	2%*
Third default within 12 months	2%*	5%*
Fourth default within 12 months	5%	The higher of 10% or £30
Fifth default within 12 months	The higher of 10% or £30	The higher of 15% or £30
Sixth or more default within 12 months	The higher of 15% or £30	The higher of 15% or £30

# THANK YOU

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