



International Translation Limited

VAT REGISTERING YOUR SMALL BUSINESS

What is VAT?

VAT- value added tax - is a tax levied on sales of goods and services. It is as a tax on the value you add to products and services - in other words, on the price difference between what you've paid and what you charge for a product.

Do I have to VAT register my small business?

You must legally register a business that makes over the threshold of £85,000. If this isn't done within 30 days you may be fined. However, Small Businesses making under this threshold can voluntarily choose to register themselves for VAT.



So, should I register my small business?

If your business has a turnover of less than £85,000 a year you are not legally required to VAT register. However, there are many reasons why you may wish to.

Pros

It is believed by some that having a VAT number adds credibility and prestige to the company. If your business isn't VAT registered, other companies will know that your turnover is below the threshold and may make negative assumptions about your company. Some companies will actually refuse to work with non-VAT registered suppliers



VAT registering your business also means you can reclaim VAT charged when you pay for goods and services. The VAT you pay, known as 'input tax', could end up being more than the VAT you collect from your customers, the 'output tax'. If your input tax is more than the output tax, you can collect the difference back from HMRC, saving you some money.

So, should I register my small business?

Cons

However, there are some drawbacks to VAT registering your business. The opposite to the above concerning VAT reclaim is true. If your 'output tax' is more than your 'input tax', you will end up paying more to HMRC.

Being VAT registered also means you will have to spend more time on paperwork, as you will have to file tax returns, adding to your potential workload. VAT registered businesses also must increase the prices they charge their customers as they must include VAT on their fees.



How do I register for VAT?

There are 3 main ways to register for VAT:

- Online
- Via an agent/ accountant
- By post

You can do all of these on the Gov.uk website.