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VAT was first introduced in the UK in 1973 and famously described by the then Chancellor of the Exchequer, Anthony Barber, as a “simple tax”. VAT has since become increasingly complex and many businesses struggle to cope with it.

VAT registration

Registration is a key component of the UK VAT system and is an area of compliance that our experienced team deals with on a regular basis.

Anyone conducting a business activity should consider whether or not to register for VAT. The three main reasons for registering are if:

- turnover from taxable supplies exceeds the threshold, in which case registration is compulsory
- turnover is less than the threshold, but it is nevertheless desirable to register in order to recover VAT on costs, facilitate dealings with suppliers or enhance the reputation of the business
- the business has not started to trade but wants to recover VAT on the costs of setting up.

VAT registration is a formal and strictly controlled process in the UK and is much less straightforward than it appears. There is also an expensive and fairly inflexible penalty regime for failing to register at the right time.

So, although registration ought to be a simple exercise, it can prove to be time-consuming and costly.

Our team has helped hundreds of businesses to register for VAT, and we can provide as little or as much help as you need.

VAT simplification schemes

Once a business is registered for VAT it has a number of obligations, such as filing VAT returns and keeping records.

We can help make this easier by advising on simplification schemes such as:

- the flat rate scheme
- cash accounting
- annual accounting.

Our team can guide you through the maze of schemes and eligibility criteria to match you with the right scheme(s) to suit your circumstances.

Other VAT schemes

There are a number of other VAT schemes that may affect your business. The scope of these schemes may be wider than their names suggest. Furthermore, some are mandatory, while others are highly desirable to reduce the overall VAT payable. Expert advice is therefore essential.

The main schemes are:

- Tour Operators Margin Scheme (TOMS)
- margin schemes for second-hand goods, works of art, antiques and similar
- reverse charge accounting scheme for businesses selling computers, computer chips and mobile phones
- partial exemption
- Capital Goods Scheme
- option to tax in respect of commercial real estate
- flat rate scheme for farmers
- self-billing.

For the most part, VAT is a business matter and of little interest to individuals other than those who are self-employed, but not exclusively so. For example, some people can benefit from reliefs such as the DIY builder scheme or VAT reductions for the disabled.

Features common to all these schemes are complex rules, inflexible penalty regimes and strict record-

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keeping requirements. Our VAT team can advise on all aspects of these schemes and help guide you through the complexities.

Compliance and penalties

Complying with the VAT regime is not easy and it bristles with penalty provisions designed to encourage 'good behaviour'. Once a business is caught up in the penalty regime, things can quickly spiral out of control.

Whatever your situation, we can help you avoid:

- late registration penalties, which can be as high as 15%
- misdeclaration penalties of 15% for getting the figures on the VAT return wrong
- repeated misdeclaration penalties of 15% for continuing to make the same mistake
- surcharges of between 2% and 15% for failing to file returns and pay VAT on time.

In addition, HM Revenue & Customs (HMRC) will levy interest if you owe money, but is rarely required to pay interest if money is owed to you.

High quality advice and assistance is essential to avoid getting caught by penalties or to improve compliance in order to get out of the penalty regime. Our wide VAT knowledge and experience of dealing with accounting systems and negotiating with the VAT man can be invaluable.

Planning

The scope for VAT planning suffered a setback following HMRC's success in the landmark *Halifax* tax case in 2006, which strengthened the authorities' position in tackling what it considers abusive VAT arrangements. Nevertheless, there remain a number of opportunities to arrange your affairs so as to minimise the amount of VAT payable or maximise the amount of VAT recoverable. These can be as simple as making use of the continuous supply rules to defer the date when VAT becomes due, or can be complex arrangements designed to achieve an absolute VAT saving.

Our VAT team includes a former HMRC anti-avoidance adviser, so is well placed to help guide you through the minefield that VAT planning activity has become.

VAT audits and health checks

Our experienced VAT team can help to streamline and review your VAT records to:

- improve compliance systems
- avoid penalties
- maximise input VAT recovery
- minimise output VAT errors.

Training and publications

If you simply want to learn more about VAT as it applies to your business, we can provide tailored training as well as copies of useful VAT publications.

We also keep you abreast of the latest developments via updates on our website and a regular column in our *Shipshape* newsletter. Please contact us if you would like to join the mailing list.

Shipleys' VAT team

We've had a specialist VAT team at Shipleys for a number of years, providing support to clients across a wide range of business sectors. The team advises on everything from the basics of compliance, through to complex VAT planning.

The team can also provide assistance with queries relating to excise, inland customs, import, export and intra-EU dispatch, and arrival procedures and formalities.

For further information, please talk to your usual Shipleys' contact, or to:

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Specific advice should be obtained before taking action, or refraining from taking action, on any of the subjects covered above.

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