

VAT

Electronic Filing - Phase 2



Background

Compulsory Electronic Payment

Extra 7 Days

Light Touch

Signing up for Online Filing

Further Information

Background

Compulsory online filing of VAT returns was implemented with effect from 1 April 2010 for all new VAT registrations and for businesses already registered for VAT as at that date with turnover of more than £100,000 other than:

1. Businesses subject to insolvency procedures; and
2. Businesses run by people who are practising members of religious societies or orders whose beliefs are incompatible with the use of electronic communication (i.e. they forbid the use of computers),

Other businesses VAT registered as at 1 April 2010 with turnover of less than £100,000 were not required to use e-filing but were put on notice that their situation would be reviewed during the course of 2011. This review has now happened and it has been confirmed that these businesses will be obliged to file online with effect from 1 April 2012.

Compulsory Electronic Payment

The requirement to file online is matched by a requirement to pay electronically using one of the following methods:

- Direct Debit
- Internet or Telephone Banking
- BACS
- CHAPS
- Debit or credit card via BillPay
- Bank Giro

- Standing Order
- Faster Payment Service

Extra 7 Days

Filing and paying electronically extends the normal due date by 7 *calendar* days but please remember that the payment must *arrive* in the HMRC bank account on or before that date. So please bear in mind that whilst it is possible to file a VAT return at the weekend or on a bank holiday it is much more difficult to ensure payment reaches the HMRC bank account on such days! It will, therefore, be necessary to factor this in and ensure that you make the payment instruction in good time. Even one day's delay will be enough to get you inside the surcharge penalty regime.

Light Touch

Like everything else in the world of VAT there are penalties for businesses that continue to file paper returns when they should be filing online but HMRC will be using a 'light touch' approach for the first 12 months but only for those businesses affected by Phase 2. Businesses that should already be filing online will not benefit from this 'light touch'.

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Signing up for Online Filing

The information published by HMRC about the sign up process confirms that signing up for online filing is fairly easy. However, what HMRC has not taken into consideration is the necessity to have, first of all, signed up via the Government Gateway.

The Government Gateway *sign up* process is also relatively straightforward but, in order to *activate* the service, it is necessary to wait for a PIN to arrive in the Mail and use this to complete the activation process.

These PINs take about a week to arrive and are only valid for 28 days. If the PIN lapses it is necessary to go through the entire Government Gateway sign up process again. This can cause issues for overseas businesses or those who are away on business a great deal.

Fortunately it is only necessary to sign up for the Government Gateway once. So if a business has already signed up for the Government Gateway for other online tax matters it should not need to do so again when signing up for VAT return e-filing

Further Information

As usual, for further information on this or any other VAT matter please speak to your usual Shipleys contact or our VAT team in London:

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