

When does a business need to register for VAT?

Value added tax (VAT) is a tax charged on most services and products which are provided by VAT-registered businesses in the UK.

All limited companies or sole trader businesses will generally find themselves incurring VAT from their first day of trading, where invoices and other costs are received from any VAT registered suppliers, even where the business itself is not registered for VAT. On this basis the VAT incurred on such invoices from its suppliers will just be additional cost to the business.

Voluntary VAT registration

Outside of a business exceeding the VAT threshold and being required to register with HMRC for VAT purposes, there is an opportunity to register 'voluntarily'.

Compulsory VAT registration

A business will only be required to register for VAT purposes with HMRC where its sales activity (or turnover) exceeds (or is about to exceed within the next 30 days) a minimum threshold (£85,000 for 2019/20).