

VAT Registration Changes

The recent changes to the compulsory turnover registration limits offer opportunities to small traders to either register or deregister according to their individual circumstances.

Business owners with turnover up to £90,000 may like to reconsider their options.

What are the changes from 1 April 2024?

The 12-month taxable turnover threshold which determines whether a business must be registered for VAT will increase from £85,000 to £90,000.

The 12-month taxable turnover threshold which determines whether a business may apply for deregistration will increase from £83,000 to £88,000.

For Northern Ireland, the registration and deregistration thresholds for acquisitions will increase from £85,000 to £90,000.

Should you register or stay registered for VAT?

If your turnover was above £85,000, in which case you would have been required to register for VAT before April 2024, but is currently below £88,000, you have an opportunity to either stay registered or deregister.

Much will depend on the nature of your customer base; can they or can they not reclaim the VAT added to your taxable supplies?

If yes (your customers are mostly registered VAT traders who can recover the VAT you charge) then it is likely that staying registered may be your best option, as in this way you can recover VAT paid on purchases and overheads.

If no (your customers are mostly consumers who cannot reclaim the VAT you presently charge) then deregistering will enable you maintain your prices and increase your profits, or you could reduce your prices to eliminate the 20% VAT element and use this

reduction to increase sales. BUT, beware, if your turnover creeps back up and trips the new £90,000 registration limit you will be obliged to re-register for VAT.

Voluntary VAT registration

One of the peculiarities of the present VAT system is that you don't have to wait until your turnover breaches the present £90,000 registration threshold to register for VAT.

You can register voluntarily with turnover below this threshold.

As indicated in the previous section of this update, if you purchase material or pay costs that include VAT, and if you are selling goods or services to predominantly VAT registered businesses, then registering for VAT will be beneficial; you can recover VAT added to your costs and the VAT that you add to your sales can be recovered by your customers.

In which case, even if your turnover is below £90,000, voluntary registration may be beneficial.

What about the hassle factor?

If you are currently not registered for VAT, and can see that there might be benefits of registering voluntarily, what about the hassle factor, having to keep records in a certain way and file quarterly VAT returns?

This is a valid consideration, but most online bookkeeping software can take the stress out of the recording and filing processes.

Please call if you need help with any of the issues raised in this alert.