



## VAT Tax Update

January 2010

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### **VAT Changes – 1 April 2010 Compulsory online filing and electronic payment**

As a result of a government report released in 2006 recommending online filing for businesses and individuals, HMRC has embarked on an ambitious programme of creating online filing facilities and implementing that recommendation.

Set out below is an overview of the forthcoming changes for VAT and, where appropriate, the action you will need to take in order to be ready and able to comply with the new requirements for online filing and online payment of VAT liabilities.

#### **Who will need to file their VAT returns online?**

It will be compulsory for businesses with an annual turnover in excess of £100,000 (VAT exclusive) to file their VAT return online for VAT accounting periods that start on or after 1 April 2010.

In addition, businesses which register for VAT on or after 1 April 2010 will need to file online, regardless of turnover.

If your business was registered for VAT prior to 1 April 2010 and has annual turnover of less than £100,000 (VAT exclusive) you do not need to file online.

However, you may wish to file online anyway. The main advantage of online filing is that you are allowed a further seven days to file your VAT return after the normal due date (which is one calendar month from the end of the VAT return period).

Online filing of your VAT return allows immediate confirmation that the return has been submitted. It is recommended that you print the final page of the online submission process to keep for your records.

#### **Payment of VAT**

All businesses, regardless of how they file their returns, must normally ensure that payment is made to HMRC by the end of the month following the VAT return ended period.

For those that file VAT returns online, the corresponding payment for the VAT liability must be made electronically. Electronic payments can also be made by businesses that submit a paper return.

Where payment is made electronically, an extension of a further seven calendar days is available. Exceptions can apply. In particular, if the due or extended date falls on a bank holiday or weekend, ensure the payment has cleared the HMRC bank account before then.

When making payments electronically please ensure that your VAT registration number is shown as a reference to the payment to allow HMRC to allocate the payment appropriately.

#### **What action do businesses need to take to be ready for this change?**

In order to be ready for this change it is important that you register with either the Government Gateway or HMRC Online Services, both of which can be accessed from [www.hmrc.gov.uk](http://www.hmrc.gov.uk).



If you have already registered for another HMRC online service then you should be able to add VAT to the list of services which are available to you.

#### **The registration process**

In order to register for VAT online services with HMRC you will need to have to hand the following information:

- your business VAT registration number
- the principal place of business postcode
- the effective date of VAT registration (from your VAT registration certificate)
- the final month of the last VAT return period end
- the 'Box 5' figure from your last VAT return.

Although you will be able to submit a return electronically once you have entered the above information, in order to access any other related services you will need an Activation Code (also known as an Activation PIN). You will also need to make sure that you register in plenty of time, as the PIN is sent through the post to you. The issue of a PIN is expected to take seven days but could be longer where demand is high.

With your permission and the information outlined above, we can register you for this service on your behalf. Passwords and security questions will need to be set up so we would need to agree on these in advance.

#### **Acting as an agent**

If you would like us to act as an agent with regards to submitting your return we can provide this service. This avoids the necessity of you having to register for HMRC's online VAT service as outlined above.

#### **Agent approval**

Once we have set ourselves up as your agent HMRC will send you a letter asking you to confirm that you wish us to act as your agent. This letter will contain a unique Authorisation Code. Please forward this to us as soon as you receive it as we need this in order to submit returns on your behalf. The authorisation code is only valid for 28 days.

It is important that you still continue to approve the return before it is submitted to HMRC and we will arrange for you to receive a copy of the form prior to its submission.

#### **What do you need to do now?**

You will need to make arrangements to ensure that you are registered for the online services at the appropriate time and that you are able to make online submission of your VAT return when necessary. You can do this using HMRC's online filing facility at <https://online.hmrc.gov.uk/login>.

You can find more technical information about the changes to online filing for all taxes, and their timescales, at [www.hmrc.gov.uk/online/index.htm](http://www.hmrc.gov.uk/online/index.htm).

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If you wish to discuss this matter further then please contact your local tax partner or email [tax@menzies.co.uk](mailto:tax@menzies.co.uk).