

## MODULE 10

# *Value Added Tax*



Value Added Tax (VAT) is a tax on goods.

You need to charge your customers VAT (currently 20% in the UK) on all sales if your business is turning over more than £85,000 over a period of twelve months (correct as of February 2018). This is calculated based on revenue (the amount you take) rather than profit. Also note, it is any twelve month period, not just the tax year.

Note: the information provided here is from current UK legislation as of February 2018  
Do ensure you check regularly for any changes/updates in legislation

# Tips

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- If and when you are nearing this threshold you will need to put your prices up. 20% is a big price hike for your customers and you won't get any of the additional percentage. It is best to start reviewing your prices as you get closer to the threshold so you don't have one big hike that might put off your regular or potential customers
- If you can, stay below the VAT threshold as it has a big effect on your prices
- You have the choice of paying VAT annually or quarterly. We strongly suggest you pay quarterly as it is better for your cash flow
- Ensure you keep the money aside to pay your VAT bills
- However, if you are VAT registered you can claim back the VAT on products that you buy
- If and when you get to the stage of needing to be VAT registered we strongly advise you hire an accountant
- If you are running a limited company you will also be liable for corporation tax on all profits so check the details with your accountant or HMRC

For more information on registering for VAT visit <https://www.gov.uk/vat-registration/how-to-register>