

VAT Changes

Compulsory online filing and electronic payment

In 2006, a government report recommended online filing for businesses and IT literate individuals. As a result, over recent years, HMRC have 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?

Businesses with annual turnover of more than £100,000 (VAT exclusive) will have 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 have to file online, regardless of turnover.

If your business was registered prior to 1 April 2010 and has turnover of less than £100,000 (VAT exclusive) you do not need to file online. However, one advantage of online filing is you get a further seven days to file your return after the normal due date (which is one calendar month from the end of the period) so you may wish to consider online filing anyway.

Payment of VAT

All businesses, regardless of how they file their returns, **must** normally ensure that payment is made to HMRC by the normal calendar month date.

For those that file online, such a payment must be done electronically. Payment using an electronic method can also be used by a business that submits a paper return.

However, if payment is made by one of the approved electronic methods, 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.

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

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.

Unfortunately only **you** can register for online services. This is not something we can do on your behalf.

If we currently deal with the completion of your VAT returns, we want to ensure that we comply with the new requirements on your behalf. However, in order for us to continue to submit returns, we will need to set ourselves up as your agent. 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?

If you prepare your VAT Returns, you will need to ensure that you are able to make online submission of your VAT return when necessary. You can either do this using software or using HMRC's online filing facility.

These new rules may need changes to your business systems. 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

Change is often difficult but we are here to help. Please do get in touch if you would like to discuss any of these changes in more detail.