ZAZEN TAX

VAT Registration Readiness Checklist

Everything to settle before you register, in the order it needs settling. About two and a half hours, and it will save you considerably more.

Business .... **Completed by** .... **Date** ....

Registration is not the hard part; the application itself takes twenty minutes. What costs people money is the decisions made carelessly around it, and the reclaim they did not know they could make.

1. Confirm you actually have to, or want to — about 20 minutes

- [ ] **Add up taxable turnover for the last twelve months**
  Any twelve consecutive months, not your accounting year or the tax year. Test it at the end of every month.
- [ ] **Include zero-rated sales in that total**
  They carry no VAT but they do count towards the threshold. Exempt supplies and sales of capital assets do not.
- [ ] **Check whether it exceeds £90,000**
  If it does, the clock has already started and section two matters today rather than next month.
- [ ] **Apply the forward look as well**
  If you expect to exceed £90,000 in the next 30 days alone, you must register immediately, effective from the day you realised. One large order can trigger this.
- [ ] **Identify the exact month you went over**
  Every date that follows is calculated from it, so it is worth being certain rather than approximately right.
- [ ] **If you are under, decide whether to register anyway**
  Voluntary registration usually pays for importers, zero-rated sellers, and anyone selling mainly to VAT-registered businesses who reclaim whatever you charge.

> THE DATES THAT FOLLOW FROM THE MONTH YOU WENT OVER
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> You must tell HMRC within 30 days of the end of that month, and registration takes effect from the first day of the SECOND month after it. Go over in September and you notify by 30 October and charge VAT from 1 November.

2. The decisions to make before you apply — about 30 minutes

- [ ] **Decide whether to absorb the VAT or pass it on**
  This is a pricing decision, not an accounting one, and it is the largest number on this checklist. Absorbing costs roughly eighteen per cent of your contribution; restoring it takes about a twelve per cent price rise, not twenty.
- [ ] **Choose your VAT scheme**
  Standard accounting suits most businesses buying stock. Cash accounting is available up to £1.35 million of taxable turnover. Annual accounting has the same threshold.
- [ ] **Check whether the Flat Rate Scheme would actually help**
  Available under £150,000. It rarely suits a business buying significant stock, because you generally cannot reclaim input VAT, and a limited cost trader pays 16.5 per cent regardless.
- [ ] **Decide monthly or quarterly returns**
  Quarterly by default. Monthly is worth asking for if you expect to be in a repayment position, which zero-rated sellers and heavy importers often are.
- [ ] **Think about which quarter end you want**
  Your stagger decides when the returns and payments land. Aligning it away from your busiest stock-buying months makes the cash easier.
- [ ] **Work out what you can reclaim on registration first**
  Section four. It can be a four-figure sum, and knowing it may change how you feel about the effective date.

3. What to have in front of you to apply — about 15 minutes

- [ ] **Your National Insurance number and Unique Taxpayer Reference**
  For a sole trader. Have the UTR to hand rather than hunting for it mid-application.
- [ ] **Company registration number and incorporation date**
  For a limited company, along with the registered office details as they appear at Companies House.
- [ ] **Business bank account details**
  For repayments, and for the direct debit if you set one up.
- [ ] **Turnover figures for the last twelve months**
  And your estimate for the next twelve, which the application asks for.
- [ ] **The date you went over, or the date you want to register from**
  Voluntary registration can be backdated up to four years, which is worth considering if you have reclaimable input VAT.
- [ ] **A description of what you sell, and the right business activity code**
  It affects the Flat Rate percentage if you take that scheme, so it is worth choosing accurately.
- [ ] **Details of any related businesses or previous registrations**
  Including any business you have transferred or taken over, which can carry a registration obligation with it.

4. The VAT you can reclaim on registration — about 30 minutes

- [ ] **Count the stock you still hold at the registration date**
  You can reclaim the VAT on goods you still have, bought in the four years before registration. For a business with a warehouse this is the largest single item on this checklist.

- [ ] **Find the purchase invoices for that stock**
  No invoice, no reclaim. This is the point at which people wish they had filed properly from the beginning.
- [ ] **List services bought in the last six months**
  Accountancy, software subscriptions, website work, professional advice. A shorter window than goods, and easy to forget entirely.
- [ ] **Exclude anything you no longer hold or have already sold**
  The goods rule applies to stock still on hand, not to everything you ever bought.
- [ ] **Total it, and put it in the first return**
  It goes on your first VAT return rather than in a separate claim, so it needs to be ready before that return is filed.

> WHY THIS SECTION IS WORTH THE HALF HOUR
>
> A shop holding £9,000 of stock bought inclusive of VAT is looking at roughly £1,500 back, on top of the six months of services. It is real money that a great many businesses simply never claim because nobody told them the rule existed.

5. What has to change on day one   about 45 minutes

- [ ] **Set your new prices, or confirm you are absorbing it**
  Decided in section two. It has to be live on the effective date, not the day the VAT number arrives.
- [ ] **Turn VAT on in your store and marketplace settings**
  Every channel separately. A channel left switched off is a channel where you are paying the VAT out of your own margin.
- [ ] **Check the VAT rate on every product**
  Standard, reduced or zero. Most food, books and children's clothing are zero-rated, and getting a rate wrong on a bestseller compounds fast.
- [ ] **Update your invoice template**
  A VAT invoice needs your VAT number, the rate applied, the VAT amount and the net and gross totals. A receipt that omits them is not a valid VAT invoice for your customer.
- [ ] **Get MTD-compatible software in place**
  VAT has been fully within Making Tax Digital since April 2022, with no turnover threshold. Digital records and a digital link to HMRC are required from your first return.
- [ ] **Open somewhere to keep the VAT you collect**
  A separate account. It is in your bank and it is not your money, and businesses that spend it are the ones that cannot pay the return.
- [ ] **Tell your accountant or bookkeeper the effective date**
  So the bookkeeping changes on the right day rather than being corrected backwards later.

6. After you apply, before the number arrives   about 10 minutes

- [ ] **Charge VAT from the effective date regardless**
  You are registered from that date whether or not the number has arrived. The liability starts then, and it is yours either way.
- [ ] **Do not show VAT on invoices until you have the number**
  You cannot issue a valid VAT invoice without it. Raise the invoice at the higher total, explain why, and reissue proper VAT invoices once the number comes through.
- [ ] **Diarise the first return and the first payment**
  One month and seven days after your first quarter ends, for both.
- [ ] **Set up the direct debit once you have the number**
  It takes a few working days to activate, so doing it in the week the payment is due is too late.
- [ ] **Check the stagger you were actually given**
  It may not be the one you asked for, and every deadline after this depends on it.

> THE MOST EXPENSIVE MISTAKE ON THIS WHOLE SUBJECT
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> Registering late. You owe VAT from the date registration should have taken effect, whether or not you charged it to your customers. Going back to customers months afterwards to ask for twenty per cent more is rarely possible, so it comes out of your own margin, with a penalty on top.

Free tools for this checklist

The VAT threshold tracker watches your rolling twelve months and works out both statutory dates for you. The VAT calculator handles both directions, the inventory workbook values the stock for your reclaim, and the tax calendar puts every deadline in one place. All free on zazentax.com.

Zazen Tax

Accountants for people who sell things. zazentax.com/contact

General information, not advice for your circumstances. Thresholds and scheme rules are those applying in 2026/27 and change from time to time. If you sell abroad or hold stock outside the UK, take specific advice before registering.