



# FACTSHEET

## VAT online filing – 2010

Many businesses will need to change their procedures for VAT returns this year. From 1 April 2010 VAT registered persons will have to submit their VAT returns online and pay any VAT due electronically if either of the following applies:

- the business has an annual turnover of £100,000 or more (exclusive of VAT)
- the business is registered or should have registered for VAT on or after 1 April 2010 (regardless of turnover)

Businesses will have to file all VAT returns online (including nil and repayment returns) even if their turnover drops below £100,000 in the future. If the annual turnover is £100,000 or more on 31 December 2009, HM Revenue & Customs (HMRC) will send the business a letter in February 2010 telling them to submit VAT Returns online and pay VAT electronically. If you do not agree that your turnover is this high and want to appeal against HMRC's decision, you should wait until they receive this letter before doing so.

The new rules apply to VAT returns filed for **accounting periods that start on or after 1 April 2010** or if for VAT persons registered on or after 1 April 2010. This means that a monthly VAT return (eg for a farming business) covering the month of April 2010 will need to be filed online by 31 May 2010. Similarly a VAT return for the quarter ended 30 June 2010 will be the first VAT that must be filed online and the deadline will be 31 July 2010.

Our aim is to assist you with your tax compliance obligations. We have cutting edge technology that enables us to do most of the tax work on your behalf without you having to spend time on preparing and filing tax returns. Whilst you cannot avoid your duties as a taxpayer we will be able to take away most of the grind using our own online filing facilities.

### **Authorisation as tax agents**

The setting up procedure requires three steps, as follows:

1. Ellacotts are set up as VAT 'agent' for your VAT registered business. We will send you a new engagement letter and authority form (form 64-8).
2. HMRC will then send the business a letter asking you to confirm the request. The letter will contain a unique authorisation code.
3. If you agree to the authorisation you should pass the code immediately to Ellacotts and we will enter it online to activate the authorisation.

### **Register and enrol to use VAT Online services**

Before VAT online services can be used, businesses need to register with HMRC's online services and are able to enrol for various services, including VAT Online. To enrol for VAT online the business will need the following five pieces of information:

1. VAT registration number
2. postcode of the principal place of business or, for overseas businesses, the postcode shown on the VAT4 (certificate of registration)
3. date of registration for VAT
4. the final month of the last VAT return submitted
5. the 'Box 5' figure from the last VAT return submitted.



These enrolment details can be found on the VAT4 (certificate of registration) and the last VAT return submitted. Recently registered businesses, which have not yet submitted a return, will need to select N/A for the 'final month of last VAT return submitted' and enter 0 for the 'Box 5' figure on last VAT return submitted. If you wish we will be happy to provide these details on your behalf to start the enrolment process.

### **Activating the online account**

Although VAT returns can be submitted as soon as businesses have registered and enrolled, before they can start using other VAT online services they will need to wait for an activation code (also known as an activation PIN) to be sent by post. The envelope will be marked 'Government Gateway'. The authorisation code is valid for 28 days from the date of the letter. If the code is not activated online within 28 days of being issued then steps 1 and 2 will need to be repeated.

**We need to have documentation showing that you have given us the authority to file the return and that you approve the working. We will also make you aware of the amount of VAT due and advise you of the due date.**

### **Approval of VAT returns**

We normally expect to communicate with you about online filing through e-mail correspondence. However, some clients will prefer to stay with correspondence by post and, if so, time will be of the essence. We will ensure that we supply the draft VAT return and payment details in good time so that you can respond before the relevant deadlines.

### **Payment of VAT**

If a VAT return is submitted online, the VAT payment must be made electronically. Paying electronically will normally entitle the business to up to seven extra calendar days to submit the return and pay any VAT due. The extended due date will be shown on the online VAT return and the business must ensure that cleared funds reach HMRC's bank account by this date. If the payment arrives later than this the business may be liable to a surcharge for late payment.

If payments are made by online direct debit, HMRC will collect payment from the nominated bank account a further three bank working days after the extended due date for the return. This means that online VAT direct debit offers more time to pay than any other method - normally a minimum of ten extra calendar days.

### **Penalties for late returns and VAT payments**

If a VAT return is submitted late or VAT is paid late, the registered business may have to pay a 'default surcharge'. The first time a business defaults, a warning known as a 'Surcharge Liability Notice' is issued by HMRC. This states that if VAT is paid late (a 'default') again during the following 12 months - known as your surcharge period - a surcharge may be levied based upon a percentage of the unpaid VAT. If the submitted VAT is not correct, HMRC will estimate the amount of VAT owed and base the surcharge on that amount (known as an assessment). The first surcharge will be 2 per cent of the unpaid VAT. If the business continues to make late payments it will be charged increasing penalties of 5 per cent, 10 per cent and 15 per cent of the unpaid VAT. If the business continues to fail to submit a correct return HMRC may increase the estimated amount of VAT owed and base the increased penalties on that amount.

**If you have any questions about the new online filing rules or require assistance with adapting to the new technology please contact your usual adviser at Ellacotts on 01295 250401.**