

## Exceeding the VAT Threshold

March 2018

### QUESTION:

I recently finished a large one-off contract, and this combined with other work has taken me over the registration limit for VAT. My normal level of sales is well below the threshold. Do I have to register for VAT even though I expect the value of future income to be reduced?

### ANSWER:

The present threshold for compulsory registration is £85,000 and the threshold for voluntary deregistration is £83,000. As a rule, if at the end of any month, the value of your taxable revenue for the last 12 months has gone over the registration threshold, you are required to register. However, if you can satisfy HMRC that the value of your taxable revenue will not exceed the deregistration threshold in the next 12 months, then you may not have to register.

If you believe that you can satisfy HMRC that your future turnover will not exceed £83,000, you could apply for an exception from registration. A VAT1 form need not be done; the request should be made in writing to the Registration Unit setting out your turnover figures and the reasons supporting the request.

It is worth mentioning here that where a business exceeds the registration threshold on the forward look, where it is expected that it will exceed the threshold *in the next 30 days alone* rather than on the cumulative backward look, then the exception is not allowed.

Whether registering or applying for an exception, the normal 30-day time limit applies for notifying HMRC that you have exceeded the threshold.

Once granted the exception from registration, a person does not become immune from a liability to register in respect of the revenue they continue to make, and neither does the granting of exception from registration form a cut-off

date for monitoring turnover. If the exception is granted, you should continue to monitor the value of your taxable revenue on a monthly basis to determine if a further liability arises by exceeding the registration threshold. However, HMRC will not require you to re-apply for the exception where the liability arises because of the earlier one-off contract.

The conditions for applying this concession are that:

- The turnover in any subsequent month is less than one-twelfth of the deregistration threshold at that time, and
- The trader has no reason to believe that they will exceed the deregistration threshold in the then following 12 months.

If a further liability arises and those conditions are not met, then you will have to either register or re-apply for the exception.

This Q&A is courtesy of our friends at Cromer Tax Wise.

If you have any questions about this article then please contact Pete and the team at PJC.

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