

## Understanding if you need to register for VAT and how to do it.

I operate a small accounting practice in Sligo town, with 90% of my clients being sole traders.

One of the questions I am often asked by a new client is “Do I need to register for VAT?”

Turnover (Sales) thresholds, have been set by the Revenue Commissioners to determine if you **do** need to register.

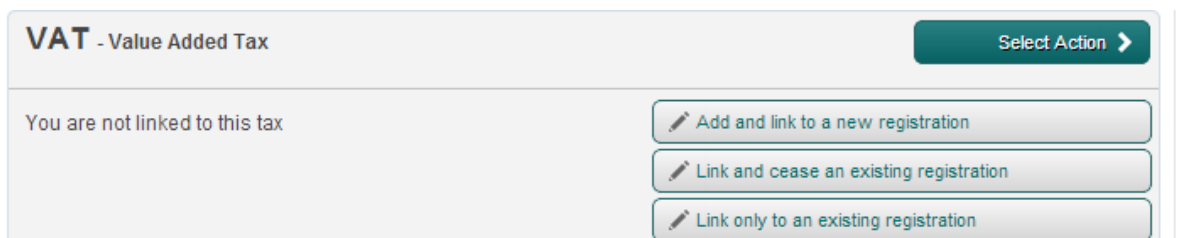
If you operate a services business (e.g. Hairdressing) and your turnover is above €37,500 then you do need to register. If you operate a business where you supply goods (e.g. publican) once turnover is above €75,000 you also need to register.

For those setting up in business for the first time, while all clients hope their turnover exceeds these thresholds for obvious reasons, it may take a year or so, to become established and do so.

You can therefore elect not to register for VAT until you feel, 12 months of Turnover will be at the levels defined above. Once you reach that level you must register with Revenue.

Registration is simple enough and is done through the ROS system.

Once logged on to ROS, within ‘Manage Tax Registrations’ you will choose VAT option.

The screenshot shows the 'VAT - Value Added Tax' section of the ROS system. At the top left, it says 'VAT - Value Added Tax'. At the top right, there is a green button labeled 'Select Action >'. Below this, on the left, it says 'You are not linked to this tax'. On the right, there are three buttons: 'Add and link to a new registration', 'Link and cease an existing registration', and 'Link only to an existing registration'. Each button has a small pencil icon to its left.

Click on Add and link to a new registration.

This brings up detailed screen as shown below where you must specify what date you are registering from. This will determine when your first VAT return (VAT3) will fall due.

Vat3 returns can be filed every 2,3,4,6 or 12 months, and are due on the 19<sup>th</sup> of the month following the last day of the vat period end due.

e.g. if you register for VAT on the 1<sup>st</sup> of September, and operate returns on a bi monthly process (every two months), your first VAT3 will be for September / October, and will be due on the 19<sup>th</sup> of November.

**eRegistration**

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**Value Added Tax Registration**

\* Denotes a required field

Registration Date (DD/MM/YYYY) \*

Accounting Period End (DD/MM) \*

Returns Basis \*

State the expected turnover figure for the first 12 months (€) \*

Is business only registered for receipt of services from abroad and to self account for VAT? ☐

Reason for Registration \*

(a) Your turnover exceeds or is likely to exceed the limits prescribed by law? ☐

or

(b) You wish to elect to be taxable (although not obliged by law)? ☐

Click [here](#) for details regarding the VAT registration thresholds.

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Account Details for VAT Refunds

Account Holder Name

Sort Code  -  -

The returns basis for VAT is an important option when registering for the first time.

You can either elect to choose the Cash or Invoice basis.

### Cash basis

This means you will file your Vat returns based on VAT monies received (for turnover) and paid (for purchases and expenses) in the taxable period.

Receipts would equate to customers paying you for goods and services and payments would be monies paid to suppliers etc.

### Invoice

The invoice bases means you file your Vat returns based on what date Vat appears on your sales invoices and purchases invoices for the period. The downside to this option in my opinion is cash flow. If for example you invoice a customer on 31<sup>st</sup> October, and you give that customer 30 days credit, you still have to hand over the Vat to Revenue on the 19<sup>th</sup> November even though you may not get your invoice until at earliest 30<sup>th</sup> November.

## **Registering for Vat for other issues.**

Registering for Vat can also be a strategic decision for a small business. If the turnover is not going to exceed the thresholds you need to ensure you are not registering for Vat for the wrong reasons.

- Charging someone VAT is fine if they are also registered for VAT as there is no extra cost to them, but if for example you are a tradesman, and the bulk of your sales are to the general public who are not registered, you are adding 13.5% to your sales price and this could price you out for the market.
- Filing VAT returns may have extra business costs like book keeping fees for maintaining the records and filing the VAT3s.
- If you are not registered you can write the full cost of an expense against your income e.g. telephone costs can include the full amount including the 23% VAT.

If you have registered and realise you do not need to be you can simply go online and de register and any time. You will still need to file any returns outstanding though up to that point.

Don't ignore the returns even though you may not have traded – file them as zero. If you have a liability but are not in a position to pay, file this too on time !

Ignoring tax returns just leads to you being highlighted on the tax system as an issue which won't be ignored...! Not filing could result in a revenue audit and/or penalties and interest.

Talk to your accountant if you have any concerns or issues with VAT, and remember to invest a good accounting package – like Sage One, to keep you on top of your VAT at all times.