



VAT DECISION SERIES

TAX YEAR 2026/27

GROWING BUSINESSES · VAT DECISION GUIDE

# When to Register for VAT

The £90,000 threshold, the two tests that catch businesses out, whether to register early, and which scheme keeps your admin light. A clear decision guide, every figure checked against current GOV.UK guidance.

REGISTRATION	DEREGISTRATION	STANDARD RATE
<b>£90k</b>	<b>£88k</b>	<b>20%</b>

• [START HERE](#)

# What's inside, and the numbers that matter

VAT registration is a timing decision, not a once-a-year one. Get the test right and you avoid backdated VAT and penalties; pick the right scheme and you cut both your admin and your cash-flow strain. The figures on this page drive every decision in this guide, current for 2026/27.

## At a glance, the numbers that decide it

MUST REGISTER	CAN DEREGISTER	STANDARD RATE	ACT WITHIN
<b>£90k</b>	<b>£88k</b>	<b>20%</b>	<b>30</b> days
Rolling 12-month turnover	Expected next 12 months	Most goods and services	To register on time

## The five sections

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**HOW TO USE THIS**  
Registration is a **rolling** test, not your accounting year. Check your last 12 months' taxable turnover at the end of **every** month, and watch the next 30 days whenever a big order lands. That single habit prevents almost every late-registration penalty.

**What you'll need** ABOUT 10 MINUTES

- Your rolling 12-month turnover**, totalled to the end of last month
- A view of the next 30 days:** any large orders or contracts due
- Who your customers are:** VAT-registered businesses or the public

01 THE THRESHOLD

# When you must register for VAT

You must register once your *taxable* turnover crosses £90,000. Two separate tests can trigger it, and the deadlines are short, so the date you cross matters as much as the amount.

Taxable turnover means your standard, reduced and zero-rated sales added together. It does **not** include VAT-exempt income or sales outside the scope of UK VAT. Both tests below use that same figure.

TEST	WHAT IT MEASURES	THRESHOLD	DEADLINE
<b>Backward look</b>	Taxable turnover in <i>any rolling 12 months</i>	<b>£90,000</b>	<b>By end of next month</b>
<b>Forward look</b>	Turnover you expect in the <i>next 30 days alone</i>	<b>£90,000</b>	<b>Before the 30 days end</b>
<b>Deregister</b>	Expected taxable turnover for the <i>next 12 months</i>	<b>£88,000</b>	<b>When you choose</b>

Source: GOV.UK, VAT registration (when to register) and Notice 700/1 thresholds. Registration £90,000 and deregistration £88,000 apply from 1 April 2024 and are unchanged for 2026/27.



**THE FORWARD-LOOK TEST CATCHES PEOPLE OUT**

If you land a single contract worth more than **£90,000** in the next 30 days, you must register **straight away**, even if your past 12 months were tiny. Waiting for the rolling total is the most common late-registration mistake.

✓ **A simple decision flow**

- 1. Total your last 12 months' taxable turnover.** Over £90,000? You must register, with effect from the first day of the second month after you crossed it.
- 2. Look at the next 30 days.** Do you expect more than £90,000 of taxable turnover in that window alone? Register immediately, effective from the date you became aware.
- 3. Only over the line for a one-off spike?** You can apply for exception from registration if you can show turnover will stay below the £88,000 deregistration figure for the next 12 months.
- 4. Under both tests?** You do not have to register, but you may still choose to (see Section 02).



**WORKED EXAMPLE: THE ROLLING TEST**

At the end of June your last 12 months' taxable sales reach **£91,000**. You must tell HMRC by **31 July** (end of the next month) and your registration takes effect from **1 August**. Charge VAT from that date, even if your number is approved later.

02 VOLUNTARY REGISTRATION

# Should you register before you have to?

You can register at any turnover, even from your first day of trading. Whether it pays off comes down almost entirely to *who your customers are*.

## Where it usually pays off

If you mainly sell to **VAT-registered businesses**, they reclaim the VAT you charge, so your 20% is invisible to them, while you reclaim VAT on your own costs. Registering early can also recover VAT on **start-up spend** and make a young business look more established.

## Where it costs you

If you sell mostly to the **public or to non-registered customers**, adding 20% either raises your prices or eats your margin. You also take on quarterly returns, Making Tax Digital records and the admin that comes with them.

CONSIDERATION	REGISTER EARLY	STAY UNREGISTERED
<b>Reclaim VAT on costs</b>	Yes, on stock, kit and start-up spend	No, VAT on costs is a sunk cost
<b>Selling to businesses</b>	Neutral for them, good for you	You absorb VAT they could reclaim
<b>Selling to the public</b>	Prices rise 20% or margin falls	Keeps you price-competitive
<b>Admin burden</b>	Quarterly returns + MTD records	No VAT returns to file
<b>How you look</b>	Appears more established	Signals turnover under £90k

Source: GOV.UK, Register for VAT (voluntary registration). General guidance; the right call depends on your customer mix and margins.



### A QUICK RULE OF THUMB

Mostly **business customers**: registering early is usually a win. Mostly **consumers**: wait until you must, unless reclaimable start-up VAT is large. When you are close to the line, model both before you decide.



### PRE-REGISTRATION VAT HAS TIME LIMITS

Once registered, you can reclaim VAT on **goods** bought up to **4 years** before registration (still on hand) and on **services** from the **6 months** before. Keep those invoices, they are easy money left on the table otherwise.

03 VAT SCHEMES

# Choosing the scheme that fits

Once registered, you do not have to use the standard method. Three optional schemes can cut your admin or smooth your cash flow. The right one depends on your size, your costs and how you get paid.

On the **standard scheme** you charge 20%, reclaim VAT on your costs, and pay HMRC the difference each quarter. It suits most businesses with regular reclaimable costs. The three alternatives below trade some of that reclaim for simpler admin or better timing.

SCHEME	WHEN IT FITS	JOIN UP TO	LEAVE AT
<b>Standard</b>	You have regular VAT on costs to reclaim	<b>Any size</b>	–
<b>Flat Rate</b>	Low-cost service business wanting simple admin	<b>£150,000</b>	<b>£230,000</b>
<b>Cash Accounting</b>	You wait to be paid; want VAT to follow cash	<b>£1.35m</b>	<b>£1.6m</b>
<b>Annual Accounting</b>	You want one return a year and steady payments	<b>£1.35m</b>	<b>£1.6m</b>

Source: GOV.UK scheme pages (Flat Rate, Cash Accounting, Annual Accounting), 2026/27. Flat Rate exit at £230,000 (VAT-inclusive total income); the other schemes leave above £1.6m.



**THE FLAT RATE “LIMITED COST” TRAP**

On the Flat Rate Scheme you pay a fixed percentage of gross turnover instead of reclaiming. But if your goods cost **less than 2% of turnover** (or less than **£1,000 a year**), you are a “limited cost business” and pay **16.5%**, which rarely beats the standard scheme. There is a **1% discount** in your first year of registration.



**CASH ACCOUNTING PROTECTS YOUR CASH FLOW**

On **Cash Accounting** you only pay VAT once your customer has paid *you*, and reclaim only when you have paid your supplier. If you raise invoices on long payment terms, it stops you funding HMRC out of money you have not yet collected.



**YOU CAN COMBINE SCHEMES**

Cash Accounting and Annual Accounting can be used **together**: one yearly return, paid in instalments, with VAT following your actual cash. The Flat Rate Scheme has its own built-in cash basis, so it is not combined with Cash Accounting.

04 WORK THROUGH IT

# Your VAT decision checklist

Print this page. Work through it in order whenever your turnover is approaching £90,000, or when you are weighing up registering early.

## 🕒 Check the threshold

- Total your **last 12 months'** taxable turnover to last month-end
- Re-check that rolling total at the **end of every month** MONTHLY
- Look ahead: more than **£90,000** expected in the next 30 days? HIGH VALUE
- Exclude **exempt** and out-of-scope income from the figure
- If over the line, note your **effective date** and deadline

## 📅 Register on time

- Tell HMRC by the **end of the month** after you crossed it DEADLINE
- Register **immediately** if the 30-day forward test is met
- Set up a **VAT online account** and get your number
- Start **charging VAT** from your effective date, not approval date
- Consider an **exception** if you only spiked once

## 👤 Decide on early registration

- Identify whether customers are **businesses** or the **public** KEY CALL
- Add up reclaimable **start-up and stock VAT**
- Model the effect of **+20%** on your selling prices
- Keep invoices for **4-year** goods and **6-month** services reclaim

## ✅ Pick a scheme & comply

- Compare **standard vs Flat Rate** on your real numbers
- Check the **16.5%** limited-cost rate before joining Flat Rate WATCH
- Consider **Cash Accounting** if you invoice on long terms
- Consider **Annual Accounting** for one return and instalments
- Set up **MTD-compatible** digital records and filing REQUIRED
- Diarise your first **VAT return and payment** date



### NOT SURE WHICH WAY TO GO?

If two or more boxes are still blank, or the voluntary-registration call is finely balanced, a short review usually pays for itself many times over in avoided penalties and the right scheme choice.



— FREE 30-MINUTE VAT HEALTH CHECK

# Get the **VAT** decision right, first time

Book a free, no-obligation review and a CIMA-qualified accountant will check your threshold position, tell you whether to register early on your own numbers, and recommend the scheme that keeps your admin and cash flow healthy.

- ✓ A clear answer on whether and when you must register, with the effective date
- ✓ A straight recommendation on voluntary registration for your customer mix
- ✓ The right scheme for your size and cash flow, in plain English, no charge
- ✓ Reviewed by a **CIMA-qualified** accountant (ACMA, CGMA)

★★★★★ 4.9 on Google · 56 reviews



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**About this guide.** Reviewed by Harvey Dhillon, ACMA CGMA. Figures verified against GOV.UK for the 2026/27 tax year (registration £90,000, deregistration £88,000). This guide is general information, not advice for your specific circumstances; rates and thresholds can change. Always confirm your position with a qualified accountant before acting. © Zmartly 2026.