



Avoid Penalty Points and £200 Fines

New VAT submission laws are now in place

Don't be caught out!

There's always going to be a repercussion for submitting anything late, but when it comes to VAT, you really don't want to be incurring any unnecessary penalties or worse still, a fine.

So, if you are VAT registered, read on...

We never like going to penalties in this country, and VAT is no exception. The more penalties you incur, the more likely you are to get a fine. Once you reach the threshold you will be fined £200 for late submissions. And if that wasn't bad enough, you will *continue* to be fined £200 for each subsequent late submission while you are at the threshold.

Before we give the bad news....we'll give you the good news! If you are newly VAT registered and it's your first VAT return, or you've cancelled your VAT registration and you are late submitting your final VAT return, you will not incur any penalties. Additionally, you will not be affected if you are late submitting a one-off return that covers a period other than a month, year or quarter. This might be the case if you have changed from submitting monthly to annually. While you might avoid a fine on this occasion, you certainly don't want to be setting yourself a precedent. If you are just starting out with VAT registration, *start as you mean to go on, be organised, and don't miss your deadlines!* The other exception to the rule is if you have taken over a VAT-registered business as a 'going concern.' Any penalty points incurred by the business will not be transferred to your VAT registration.

How are the penalties calculated?

Each threshold will depend upon your accounting period – whether you submit a VAT return, monthly, quarterly, or annually. The penalties for late submissions work on a points-based system.

The penalty points threshold is 2 for annual returns, 4 for quarterly returns, and 5 for monthly returns.

So, for example, if you submit VAT returns quarterly, and submit 3 returns late, you will reach the threshold if you submit your 4th return late and will consequently receive a penalty of £200. If you then submit your next VAT return late you will incur another £200 fine. This will continue until you submit a return on time.

I have a non-standard accounting period. How does it work for me?

Different rules will apply to you if you have a non-standard accounting period. But you will still incur penalties and fines if you don't keep 'The Tax Man' happy!

If your accounting period is **over 20 weeks**, your threshold is 2 – equal to an annual accounting period.

If your accounting period is **over 8 weeks, but less than 20**, your threshold is 4 – equal to a quarterly accounting period.

If your accounting period is **8 weeks or less**, your threshold is 5 – equal to a monthly accounting period.

I've changed my accounting period – how does that affect me?

If you change your accounting period, your points threshold will simply change to the limits above i.e 2 for annual returns, 4 for quarterly returns, and 5 for monthly returns.

If you already have existing penalty points – these will carry over with you to your new accounting period, so be aware of the adjustments that will be made. These cannot be appealed, so don't get caught out.

This table will show you, at a glance, how this will affect you...

Previous accounting period	New accounting period	Penalty points adjustment
Annual	Quarterly	+2 points
Annual	Monthly	+3 points
Quarterly	Annual	-2 points
Quarterly	Monthly	+1 point
Monthly	Annual	-3 points
Monthly	Quarterly	-1 point

How do I know if I have incurred any penalties?

You can log in to your VAT Online Account to see any penalties that have accrued on your account. HMRC will always contact you by post to let you know if you are receiving a penalty point or fine and offer you a review. If you have a reasonable excuse, you can appeal the decision with HMRC online at gov.uk/tax-appeals/penalty

*Never miss a deadline...
**Use an online software solution
to help you organise your accounting***