

# GUIDE TO COMPLETING A UK VAT RETURN

**Tolley® Guidance**

November 2014

---

## **Disclaimer**

Tolley®Guidance takes every care when preparing this material. However, no responsibility can be accepted for any losses arising to any person acting or refraining from acting as a result of the material contained in these notes.

All rights reserved. No part of these notes may be reproduced or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of Tolley ®Guidance.

Whilst some of the links in blue within this document resolve to publically available websites, other links into documents within Tolley®Guidance are subscription sensitive. If you do not have a subscription to Tolley®Guidance then you can request a free trial [tolley.co.uk/content](http://tolley.co.uk/content)

**Tolley®**

Tax intelligence  
from LexisNexis®

## Guide to completing a UK VAT return

Produced by [Tolley](#)

The following guidance note will provide details on what information needs to be included in each box on the UK VAT return. For businesses using the flat rate scheme, see the [Guide to completing a UK VAT return for businesses using the Flat Rate Scheme](#) guidance note. This note can be read in conjunction with the [Submitting online VAT returns](#) guidance note. De Voils Indirect Tax Service [V7.203](#); [V7.262](#); [HMRC Notice 700/12](#)

### Box 1: VAT due on sales and other outputs

This is the total amount of VAT charged on sales. UK VAT registered businesses should also include VAT payable to HMRC for certain other supplies made, such as:

- all sales where UK VAT has been charged including any sales made to overseas customers where UK VAT is due, such as distance sales and sales to private / non-business customers
- VAT shown on self-billed invoices issued by the customer. Please see the [Self-billing](#) guidance note
- sales to staff, eg canteen meals or via vending machines
- sales of stock and business assets, such as commercial vehicles or machinery
- hiring or loaning of goods
- commission received from selling something on behalf of someone else (agent's commission)
- goods or services that have been used by the business or its staff for private / personal use (ie mobile phones, equipment, software, etc) - see the [Input tax - business and non-business or private use](#) guidance note
- gifts or samples given free of charge that cost more than £50 excluding VAT - see the [Business gifts and samples](#) guidance note
- anything bartered, exchanged or part-exchanged (any goods / services supplied in exchange for non-monetary payment) - see the [Consideration](#) guidance note
- fuel scale charges - see the [Fuel scale charges](#) guidance note
- reverse charge VAT due on services purchased from overseas vendors where the customer is required to account for any VAT due. See the [Supplies of reverse charge services](#) and [Accounting for the reverse charge in the UK](#) guidance notes
- reverse charge VAT due under the special accounting schemes, such as, the gold scheme, MTIC, carbon emission trading and wholesale supplies of gas and electricity. See the [Missing trader intra-community fraud](#), [MTIC - carbon trading](#), [Reverse charge for wholesale trading in electricity and gas](#) and [Supplies of non-investment gold](#) guidance notes.
- deduct any refunds of VAT made under the Retail Export Scheme - see the [Retail export scheme](#) guidance note
- if the business uses cash accounting scheme, the VAT figure put in this box must be based on payments received, not invoices issued - see the [Overview of cash accounting scheme](#) guidance note
- if the business uses a retail scheme, include the output tax calculated under the scheme - see the [Retail schemes - overview](#) guidance note
- the business can include any VAT under-declared / over-declared on previous returns where allowable - see the [Correcting errors](#) guidance note

- do not include any amounts assessed by HMRC as payable as these will be collected separately by HMRC via an assessment - see the [Correcting errors](#) guidance note

The total value of any credit notes issued or debit notes received should be included in Box 1.

## Box 2: VAT due (but not paid) on acquisitions from other EU countries

The business needs to calculate the total value of the goods purchased from vendors located in other EU countries for the period covered by the VAT return. The value of any services directly related to those goods (such as delivery charges) should also be included in the calculation

The VAT due on the value of the goods acquired from other EU member states is calculated by multiplying the total amount by the applicable UK VAT rate. Not all goods are liable to VAT at the standard rate of VAT. If any goods are purchased liable to VAT at the reduced rate of VAT in the UK, then the correct VAT rate should be used to calculate the VAT due on the goods purchased. Please see the [Buying goods from other EU vendors](#) guidance note.

If the business acquires zero-rated goods (eg books, newspapers or magazines) there is no requirement to pay acquisition tax on these items and the value of these goods should be excluded from the calculation. See the [Supplies that are zero-rated for VAT purposes](#) guidance note.

Do not include amounts where VAT has been charged by the EU vendor on the goods supplied.

Acquisitions should be included on the return covering the date in which the acquisition actually occurred. This is called the tax point and it is the earlier of either:

- the date of issue of the supplier's invoice
- the 15th day of the month following that in which the goods were sent to the UK

See the [Time of supply \(tax points\)](#) guidance note for more information.

Put the acquisition tax amount in Box 2.

## Box 3: total VAT due

This is the total of Box 1 and Box 2 added together. It is the amount of VAT due to HMRC. For returns completed online, this figure is worked out automatically by HMRC (see the [Submitting online VAT returns](#) guidance note).

## Box 4: VAT reclaimable on your purchases

This is the VAT charged on purchases made by the business. This box should also include the following:

- VAT paid on imports from countries outside the EU (this figure is obtained from the C79 monthly VAT certificate issued by HMRC) - see the [Importing goods from outside the EU](#) guidance note

- VAT paid on goods removed from a customs warehouse or free zone - see the [Customs warehousing - introduction](#) guidance note
- VAT recoverable on goods purchased from vendors in other EU countries and services directly related to those goods (such as delivery charges), this is the figure put in box 2
- if the business is partly exempt, recovery of input tax is subject to the partial exemption rules and any input tax should be recovered based upon the partial exemption calculation undertaken (subject to the partial exemption de minimis limit) - see the [Partial exemption overview](#) guidance note
- recoverable VAT paid under the 'reverse charge' on services purchased from vendors located outside the UK - see the [Supplies of reverse charge services](#) guidance note
- recoverable reverse charge VAT paid on special accounting schemes, such as MTIC, carbon trading and wholesale supplies of gas and electricity
- tax paid on any purchases of gold under the special accounting scheme for gold - see the [Supplies of non-investment gold](#) guidance note
- VAT claimed back as bad debt relief - see the [Claiming VAT bad debt relief \(BDR\)](#) guidance note. The bad debt relief claim should be reduced by the value of any subsequent payment(s) received on a previously written-off VAT bad debt
- businesses using the cash accounting scheme should only recover input tax on payments made and not on invoices received
- exclude amounts notified by Customs and Excise as over-declarations
- exclude amounts paid on assessments or amounts which HMRC already owes the business as these will be repaid via an assessment
- include any VAT under-declared / over-declared on previous returns where acceptable under current HMRC guidelines

## Points to remember

Remember:

- to adjust the input tax figure for any non-deductible items, such as business entertainment, motor car expenses, etc - see the [Overview of VAT recovery on employee related expenses](#), [Business and staff entertainment](#) and [Motoring expenses](#) guidance notes
- do not reclaim VAT if the proper supporting documentation (eg a proper VAT invoice) is missing - see the [VAT invoice requirements](#) guidance note
- VAT incurred on goods that have been purchased for wholly private purposes
- VAT incurred on self-billed invoice issued by customers (this is output tax not input tax)
- on second-hand goods that the business has bought under one of the VAT second-hand schemes
- if after taking account of errors and adjustments for credit notes etc, the amount to be included in Box 4 is a negative figure, write the amount in brackets. For electronic returns, type in the amount as a negative figure that is preceded by a minus sign

## Deductions

Deduct from this total:

- the VAT on any credit notes received from suppliers

- the VAT on any supplier invoices over 6 months old that have not been paid and the business is obliged to account for as a 'bad debt' for VAT purposes - see the [Bad debt relief - repayment of VAT by the debtor](#) guidance note

The result is the total VAT that can be reclaimed from HMRC.

### **Box 5: VAT payable or reclaimable**

Take the figures from Box 3 and Box 4. Deduct the smaller figure from the larger one and put the difference in Box 5. This is calculated automatically for returns submitted online.

If the amount in Box 3 is more than the figure in Box 4, this amount should be paid to HMRC.

If the amount in Box 3 is less than the figure Box 4, the business will reclaim this amount from HMRC.

If the amount in Box 5 is zero, there is no VAT to pay or reclaim, but the return must still be submitted to HMRC.

### **Box 6: total sales excluding VAT**

Enter the total figure for sales (excluding VAT) made during the period covered by the VAT return. The following should also include:

- any zero-rated sales
- any exempt sales
- any amount put in Box 8
- services supplied that are subject to the reverse charge (eg any sales made to VAT registered customers located in other EU countries where no UK VAT has been charged)
- purchases under the special scheme for gold
- services purchased that are subject to the reverse charge (excluding MTIC transactions)
- exports outside the EU
- net value of any road fuel scale charges included in Box 1
- supplies of goods to VAT registered traders in EC Member States
- distance sales of goods to non-VAT registered customers located in other EU countries
- any other business income
- deposits for which an invoice had been issued
- own goods transferred to other EC Member States
- supplies to customers in EC Member States on a sale or return basis

If an amount is included in Box 8 on the VAT return then ensure that the same amount is included in Box 6 on the same return.

Take off the net amount of any credit notes issued or debit notes received.

Do not include the following in this box:

- loans, dividends and gifts of money
- dealings on the Stock Exchange for businesses that are not financial institutions

- insurance claims

Businesses supplying goods and / or services to VAT registered customers located in other EU countries will need to complete an EC Sales List. Please see the [EC Sales List \(ESL\)](#) guidance note for more information.

## Box 7: total purchases excluding VAT

Enter the total figure for purchases (excluding VAT) for the period, including:

- the net value of purchases made by the business (taxable and exempt purchases)
- any services purchased from overseas vendors where the UK reverse charge mechanism needs to be applied
- MTIC reverse charge transactions
- any amount put in Box 9
- special accounting scheme for gold transactions
- purchases made under the margin schemes applicable to certain supplies of goods within the UK (include the full purchase amount)
- net value of any imported goods where the VAT amount has been included on Box 4 on the return (the business should manually calculate the net value of the imports if it is likely the original purchase invoice issued by the supplier would have been included on a separate VAT return)

Do not include:

- expenses like salaries and taxes (such as PAYE and National Insurance contributions)
- motor vehicle licence duty, MOT certificates and local authority rates
- VAT itself
- money put into and taken out of the business
- loans, dividends and gifts of money
- insurance claims
- income which is outside the scope of VAT because it is not consideration for a supply (eg certain grants and compensation payments)
- Stock Exchange dealings (unless the business is a financial institution)

## Box 8: the total value of goods supplied to other EU countries

You only need to fill in Box 8 if the business has supplied goods to another EU country.

Include the total value of goods supplied to another EU country and services related to those goods (such as delivery charges). Please note that services related to those goods should only be included if they form part of the overall value of the goods supplied. If services do not form part of the overall value of the goods themselves (ie they are incidental to the supply of the goods) they should not be included in this box.

The following should be included:

- any goods dispatched from the UK to a destination in another EU country
- goods dispatched from the UK for installation or assembly in another EU country

- the value of supplies of new means of transport to unregistered customers in another EU country. See the [EU - selling a new means of transport \(NMT\)](#) guidance note
- distance sales to unregistered customers in another EU country where the value of the distance sales have exceeded the distance selling threshold of that EU country

Remember to also include this amount in the Box 6 total.

The following should be excluded:

- services related to the supply of goods that have been invoiced separately
- separate supplies of services, such as legal or financial services
- the goods themselves when the business is supplying processing work
- sales made in the UK to unregistered customers in another EU country where the supplies are not distance sales

## **Box 9: the total value of goods acquired from other EU countries**

You only need to fill in Box 9 if the business has acquired goods from another EU country.

Enter the total value of goods received from VAT registered suppliers in another EU country and services related to those goods (such as delivery charges). Please note that services related to those goods should only be included if they form part of the overall price of the goods (ie the services are ancillary to the goods so form part of the overall cost of the goods). Do not include separately supplied services in this box. The value of all goods that were physically shipped from another EU country, even if there was no actual purchase, or if the goods were supplied by or invoiced to a person or organisation outside the EU, should be included in this box.

Include the following:

- the value of supplies of goods installed or assembled in the UK where those goods have been dispatched from another EU country
- the value of acquisitions of process work from other EU countries (include only the value of the process work and not the value of the goods themselves)

Remember to also include the amount shown in Box 9 in the Box 7 total.

## **VAT rate change**

If the VAT rate changes during the VAT return period then the business should complete its VAT return in the normal way. If the rate changes part way through the VAT return period then the business needs to calculate a total for each rate and add the totals together to get the figures that go in each box on the VAT return.