



All these examples use the current VAT rate of 20%, and the current VAT registration threshold of £90,000.

**Example 1 - VAT registration**

Hannah opened a studio in January 2022. The monthly turnover has been:

	Monthly turnover £	Rolling 12 months £	
Jan 22	4,000	4,000	In this first 12 months add up year to date
Feb 22	2,000	6,000	
Mar 22	2,000	8,000	
Apr 22	3,000	11,000	
May 22	4,000	15,000	
Jun 22	5,000	20,000	
Jul 22	5,000	25,000	
Aug 22	4,000	29,000	
Sep 22	6,000	35,000	
Oct 22	6,000	41,000	
Nov 22	8,000	49,000	
Dec 22	4,000	53,000	
Jan 23	7,000	56,000	After the first year measure rolling 12 months - add a month on at the end, take one off at the start
Feb 23	5,000	59,000	
Mar 23	4,000	61,000	
Apr 23	5,000	63,000	
May 23	4,000	63,000	
Jun 23	5,000	63,000	
Jul 23	8,000	66,000	
Aug 23	7,000	69,000	
Sep 23	9,000	72,000	
Oct 23	7,000	73,000	
Nov 23	7,000	72,000	
Dec 23	5,000	73,000	
Jan 24	10,000	76,000	The VAT threshold is breached this month  Register from 1 July
Feb 24	9,000	80,000	
Mar 24	8,000	84,000	
Apr 24	8,000	87,000	
May 24	9,000	92,000	
Jun 24	9,000	96,000	
Jul 24	8,000	96,000	
Aug 24	7,000	96,000	
Sep 24	9,000	96,000	
Oct 24	8,000	97,000	
Nov 24	7,000	97,000	
Dec 24	7,000	99,000	

Hannah breaches the VAT threshold in May 2024. She will need to register for VAT from 1 July 2024.

This is the basic VAT registration calculation for all businesses, but most solo yoga teachers will not come near this so its really of interest for those running studios, a number of retreats or trainings.



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**Example 2 - Voluntary VAT registration**

Cecily earns around £30,000 from teaching Yoga each year

She agrees to lead a workshop at QuadYoga, a large studio chain on a 70:30 split of income

There are 50 people in the workshop at £40 each, meaning gross income of £2,000

She anticipates getting £1,400 - 70% of £2,000, but she is disappointed to find that QuadYoga take VAT off first. Therefore the gross revenue is £1,667 ( $£2,000 / 120\%$ ), and Cecily's 70% is £1,167.

She complains to QuadYoga who explain that as bookings went through their tills they have to pay VAT on the whole income. They also explain that if she was VAT registered she could add VAT of £233 on to her £1,167 and then they would pay her £1,400.

Cecily asks her accountant about voluntary registration. Her accountant explains that although this would mean Cecily gets the full £1,400 income, she would then have to pay VAT of £6,667 a year on her £40,000 turnover ( $£40,000 / 120 \times 20\%$ ).

As an alternative, her accountant suggests she could increase her fees by 20% to charge VAT to her students - Cecily isn't happy with that, as she feels that will make her unaffordable to them.

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**Example 3 - Voluntary VAT registration - Page 1**

Returning to Hannah from example 1, her studio is leased for £20,000 pa plus VAT, making the total rent £24,000. When she opened her business she asked her accountant about registering for VAT at the outset to recover the cost of the rent.

Hannah's accountant advises her against registering for VAT until she breaches the VAT threshold. With the benefit of hindsight lets see how that worked out:

**Register for VAT immediately:**

	Monthly turnover £	VAT on turnover £	Rent £	VAT recovered on rent £	Cash flow £
Jan 22	4,000		(2,000)		2,000
Feb 22	2,000		(2,000)		2,000
Mar 22	2,000	(1,333)	(2,000)	1,000	1,667
Apr 22	3,000		(2,000)		2,667
May 22	4,000		(2,000)		4,667
Jun 22	5,000	(2,000)	(2,000)	1,000	6,667
Jul 22	5,000		(2,000)		9,667
Aug 22	4,000		(2,000)		11,667
Sep 22	6,000	(2,500)	(2,000)	1,000	14,167
Oct 22	6,000		(2,000)		18,167
Nov 22	8,000		(2,000)		24,167
Dec 22	4,000	(3,000)	(2,000)	1,000	24,167
Jan 23	7,000		(2,000)		29,167
Feb 23	5,000		(2,000)		32,167
Mar 23	4,000	(2,667)	(2,000)	1,000	32,500
Apr 23	5,000		(2,000)		35,500
May 23	4,000		(2,000)		37,500
Jun 23	5,000	(2,333)	(2,000)	1,000	39,167
Jul 23	8,000		(2,000)		45,167
Aug 23	7,000		(2,000)		50,167
Sep 23	9,000	(4,000)	(2,000)	1,000	54,167
Oct 23	7,000		(2,000)		59,167
Nov 23	7,000		(2,000)		64,167
Dec 23	5,000	(3,167)	(2,000)	1,000	65,000
Jan 24	10,000		(2,000)		73,000
Feb 24	9,000		(2,000)		80,000
Mar 24	8,000	(4,500)	(2,000)	1,000	82,500
Apr 24	8,000		(2,000)		88,500
May 24	9,000		(2,000)		95,500
Jun 24	9,000	(4,333)	(2,000)	1,000	99,167
Jul 24	8,000		(2,000)		105,167
Aug 24	7,000		(2,000)		110,167
Sep 24	9,000	(4,000)	(2,000)	1,000	114,167
Oct 24	8,000		(2,000)		120,167
Nov 24	7,000		(2,000)		125,167
Dec 24	7,000	(3,667)	(2,000)	1,000	127,500
	<b>225,000</b>	<b>(37,500)</b>	<b>(72,000)</b>	<b>12,000</b>	

**Example 3 - Voluntary VAT registration - Page 2**

**Register for VAT when she breaches threshold:**

	Monthly turnover £	VAT on turnover £	Rent £	VAT recovered on rent £	Cash flow £
Jan 22	4,000		(2,000)		2,000
Feb 22	2,000		(2,000)		2,000
Mar 22	2,000		(2,000)		2,000
Apr 22	3,000		(2,000)		3,000
May 22	4,000		(2,000)		5,000
Jun 22	5,000		(2,000)		8,000
Jul 22	5,000		(2,000)		11,000
Aug 22	4,000		(2,000)		13,000
Sep 22	6,000		(2,000)		17,000
Oct 22	6,000		(2,000)		21,000
Nov 22	8,000		(2,000)		27,000
Dec 22	4,000		(2,000)		29,000
Jan 23	7,000		(2,000)		34,000
Feb 23	5,000		(2,000)		37,000
Mar 23	4,000		(2,000)		39,000
Apr 23	5,000		(2,000)		42,000
May 23	4,000		(2,000)		44,000
Jun 23	5,000		(2,000)		47,000
Jul 23	8,000		(2,000)		53,000
Aug 23	7,000		(2,000)		58,000
Sep 23	9,000		(2,000)		65,000
Oct 23	7,000		(2,000)		70,000
Nov 23	7,000		(2,000)		75,000
Dec 23	5,000		(2,000)		78,000
Jan 24	10,000		(2,000)		86,000
Feb 24	9,000		(2,000)		93,000
Mar 24	8,000		(2,000)		99,000
Apr 24	8,000		(2,000)		105,000
May 24	9,000		(2,000)		112,000
Jun 24	9,000		(2,000)		119,000
Jul 24	8,000		(2,000)		125,000
Aug 24	7,000		(2,000)		130,000
Sep 24	9,000	(4,000)	(2,000)	1,000	134,000
Oct 24	8,000		(2,000)		140,000
Nov 24	7,000		(2,000)		145,000
Dec 24	7,000	(3,667)	(2,000)	1,000	147,333
	<u>225,000</u>	<u>(7,667)</u>	<u>(72,000)</u>	<u>2,000</u>	

The VAT threshold is breached this month  
Register from 1 July

**Summary for Hannah's first three years:**

	Register voluntarily at outset £	Register when required to do so £
Turnover less VAT	187,500	217,333
Rent less VAT	<u>(60,000)</u>	<u>(70,000)</u>
Profit	<u>127,500</u>	<u>147,333</u>

So, the advice given to Hannah was correct - she is just under £20,000 better off by deferring registration.

All these examples use the current VAT rate of 20%, and the current VAT registration threshold of £90,000.

**Example 4 - VAT cliff edge**

VAT is described as a "cliff edge" tax, lets look at why.

Suppose Lisa has a small studio, and currently holds her turnover below the vat limit. She monitors her turnover each month on a rolling 12 month basis and cancels some classes if necessary to keep herself outside of VAT.

Eventually she finds that she can't keep below the VAT threshold any longer, what does this mean?

	Current position £	Just over threshold £	Break even £
Studio Income	89,000	91,000	106,800
VAT	<hr/>	<hr/> (15,167)	<hr/> (17,800)
Net Revenue	<hr/> 89,000	<hr/> 75,833	<hr/> 89,000

It can be seen that if Lisa just exceeds the threshold, the cliff edge effect means she is over £15,000 worse off.

To break even, once she exceeds the VAT threshold she needs to get her income up to £107,000 as soon as possible to be neutral.