

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

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

Hannah opened a studio in January 2026, and her studio is leased for £20,000 pa plus VAT, making the total rent £24,000. When she opened 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, and recover Vat on rent:**

	Monthly turnover £	Vat on turnover £	Rent £	Vat recovered on rent £	Cash flow £
Jan 26	4,000		(2,000)		2,000
Feb 26	2,000		(2,000)		2,000
Mar 26	2,000	(1,333)	(2,000)	1,000	1,667
Apr 26	3,000		(2,000)		2,667
May 26	4,000		(2,000)		4,667
Jun 26	5,000	(2,000)	(2,000)	1,000	6,667
Jul 26	5,000		(2,000)		9,667
Aug 26	4,000		(2,000)		11,667
Sep 26	6,000	(2,500)	(2,000)	1,000	14,167
Oct 26	6,000		(2,000)		18,167
Nov 26	8,000		(2,000)		24,167
Dec 26	4,000	(3,000)	(2,000)	1,000	24,167
Jan 27	7,000		(2,000)		29,167
Feb 27	5,000		(2,000)		32,167
Mar 27	4,000	(2,667)	(2,000)	1,000	32,500
Apr 27	5,000		(2,000)		35,500
May 27	4,000		(2,000)		37,500
Jun 27	5,000	(2,333)	(2,000)	1,000	39,167
Jul 27	8,000		(2,000)		45,167
Aug 27	7,000		(2,000)		50,167
Sep 27	9,000	(4,000)	(2,000)	1,000	54,167
Oct 27	7,000		(2,000)		59,167
Nov 27	7,000		(2,000)		64,167
Dec 27	5,000	(3,167)	(2,000)	1,000	65,000
Jan 28	10,000		(2,000)		73,000
Feb 28	9,000		(2,000)		80,000
Mar 28	8,000	(4,500)	(2,000)	1,000	82,500
Apr 28	8,000		(2,000)		88,500
May 28	9,000		(2,000)		95,500
Jun 28	9,000	(4,333)	(2,000)	1,000	99,167
Jul 28	8,000		(2,000)		105,167
Aug 28	7,000		(2,000)		110,167
Sep 28	9,000	(4,000)	(2,000)	1,000	114,167
Oct 28	8,000		(2,000)		120,167
Nov 28	7,000		(2,000)		125,167
Dec 28	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 - forgo receiving Vat on rent:

	Monthly turnover £	Vat on turnover £	Rent £	Vat recovered on rent £	Cash flow £
Jan 26	4,000		(2,000)		2,000
Feb 26	2,000		(2,000)		2,000
Mar 26	2,000		(2,000)		2,000
Apr 26	3,000		(2,000)		3,000
May 26	4,000		(2,000)		5,000
Jun 26	5,000		(2,000)		8,000
Jul 26	5,000		(2,000)		11,000
Aug 26	4,000		(2,000)		13,000
Sep 26	6,000		(2,000)		17,000
Oct 26	6,000		(2,000)		21,000
Nov 26	8,000		(2,000)		27,000
Dec 26	4,000		(2,000)		29,000
Jan 27	7,000		(2,000)		34,000
Feb 27	5,000		(2,000)		37,000
Mar 27	4,000		(2,000)		39,000
Apr 27	5,000		(2,000)		42,000
May 27	4,000		(2,000)		44,000
Jun 27	5,000		(2,000)		47,000
Jul 27	8,000		(2,000)		53,000
Aug 27	7,000		(2,000)		58,000
Sep 27	9,000		(2,000)		65,000
Oct 27	7,000		(2,000)		70,000
Nov 27	7,000		(2,000)		75,000
Dec 27	5,000		(2,000)		78,000
Jan 28	10,000		(2,000)		86,000
Feb 28	9,000		(2,000)		93,000
Mar 28	8,000		(2,000)		99,000
Apr 28	8,000		(2,000)		105,000
May 28	9,000		(2,000)		112,000
The VAT threshold is breached this month - Register from 1st July.					
Jun 28	9,000		(2,000)		119,000
Jul 28	8,000		(2,000)		125,000
Aug 28	7,000		(2,000)		130,000
Sep 28	9,000	(4,000)	(2,000)	1,000	134,000
Oct 28	8,000		(2,000)		140,000
Nov 28	7,000		(2,000)		145,000
Dec 28	7,000	(3,667)	(2,000)	1,000	147,333
	225,000	(7,667)	(72,000)	2,000	

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.