



# TAX and Accounting Newsletter August 2025

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## Headlines

- How Soon Should You Register for VAT?
- Get Faster Tax Relief When Replacing Equipment
- Claiming Tax Relief When Shares Become Worthless



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# How Soon Should You Register for VAT?

If you're planning a new business, VAT registration might not be at the top of your to-do list—especially if you're months or even a year away from launching. But with start-up costs piling up, knowing when to register for VAT could make a big difference to your bottom line.

Here's a breakdown of your options and how to choose the right time to register.

## Is VAT Registration Optional?

In some cases, you won't have a choice—once your taxable turnover crosses the VAT threshold, registration is mandatory. But if you're still below the limit, you have more control over when to register.

Some business owners delay registration to keep prices more competitive or because they think VAT registration comes with extra costs. But that's a misconception. Unless you're in a price-sensitive market, registering for VAT can actually save you money by allowing you to reclaim VAT on your expenses.

✅ **Tip:** If your pricing isn't heavily affected by VAT, registering early may help reduce your costs and improve cash flow. The main trade-off is the administrative work of filing VAT returns.

## Option 1 – Reclaim VAT on Pre-Registration Purchases

Once registered, you can reclaim VAT on certain past purchases:

- Goods: Go back up to 4 years, as long as you still have the items on hand.
- Services: Go back up to 6 months.

🚫 **Trap:** If you no longer have the goods—if they've been sold, used, or scrapped—you can't reclaim the VAT. So timing matters.

## Option 2 – Retrospective VAT Registration

You can also choose to backdate your VAT registration—up to 4 years, or to when your business began, if that's more recent.

✅ **Power Tip:** Backdating lets you reclaim VAT on purchases from that period and claim up to 4 years of VAT on goods and 6 months on services before that date. It's a powerful tool for maximising recovery.

🚫 **Trap:** You'll also need to account for VAT on any sales made during the backdated period. If you didn't charge VAT at the time, you'll likely have to pay it out of your own pocket.

## Option 3 – Register as an 'Intending Trader'

The third—and often most overlooked—option is to register as an intending trader. This means you register for VAT even before your business starts trading, purely on the basis that you intend to make taxable supplies in the future.

## **Benefits:**

- Reclaim VAT in real time, improving cash flow.
- Avoid the restrictions of backdating.
- No requirement to hold goods on hand or worry about time limits.

This approach gives you the benefits of both previous options without the traps.

## **The Bottom Line**

- **Option 1:** Register once you're ready and reclaim VAT on goods (4 years) and services (6 months).
- **Option 2:** Register with an earlier effective date to expand your VAT recovery window.
- **Option 3:** Register early as an intending trader to claim VAT as you go and maximise real-time recovery.

When used strategically, VAT registration can be more of a cash-flow opportunity than a burden. Choose the option that best fits your launch timeline and financial planning.

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# Get Faster Tax Relief When Replacing Equipment

Upgrading your company's IT equipment? You'll get tax relief through capital allowances—but if you sell or scrap the old items, it can reduce how much relief you get.

Here's how to improve your tax position.

## Selling Old Equipment? Watch the Tax Impact

Let's say NovaTech Solutions sells an old machine for £1,000 after claiming tax relief on it in earlier years. That £1,000 must be deducted from the company's tax pool, reducing how much it can claim this year.

### Example

- Tax pool: £20,000
- Sale proceeds: £1,000
- New pool: £19,000
- Claim at 18% = £3,420

## Short Life Asset (SLA) Election: A Better Option

If the item qualifies, making a Short Life Asset election lets you claim more tax relief, faster.

### How it works:

Instead of reducing the main tax pool, the sold item gets its own pool. When it's sold or scrapped, you can claim a balancing allowance for any value left unclaimed.

### Example

- Equipment cost: £9,000
- Value after two years: £6,052
- Sale proceeds: £1,000
- Balancing allowance: £5,052

NovaTech now claims  $£5,052 + £3,420 = \textbf{£7,032}$  total tax relief—more than double the standard approach.

## When to Use SLA Elections

- If you expect to use the equipment for less than 7 years
- If you didn't claim full tax relief upfront (e.g. second-hand items)
- Make the election within 2 years of buying the item

 **Tip:** You can group similar items into one SLA election to save time.

## In Summary

Selling old equipment? It reduces your tax claim—unless you use a Short Life Asset election. It's a simple way to claim more, faster.

Need help setting it up? Let's talk.

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# Claiming Tax Relief When Shares Become Worthless

If you've invested in shares that are now worthless, perhaps due to company insolvency, you may be able to claim tax relief without needing to sell them. Here's what you need to know.

## Negligible Value Claims: Turn Losses Into Relief

When shares drop to negligible value (essentially worth nothing), you can make a **negligible value claim** under **TCGA 1992, s. 24**. This allows you to:

- Trigger a capital loss without disposing of the shares



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