

Do You Always Have to Issue a VAT Invoice?

A retail customer is demanding that you issue him with a VAT invoice instead of a simple receipt. He says the law requires you to do so. Is he just being awkward or does he have a point?

Paperwork

Paperwork is a necessary evil for all businesses. It's no coincidence that businesses that keep poor records are more likely to fail. Oddly, there's no statute that sets a general requirement for keeping records, although there is (in some cases) an obligation to produce accounts which is nigh on impossible without records. Tax rules, especially those for VAT, impose paperwork obligations and failing to meet them could land you with a fine.

Are invoices essential?

Contrary to what you might expect, there's only one situation where you're required by law to issue an invoice, that is where you and your customer are both VAT registered.

If you have a retail business and your system is only set up to issue receipts, it can be a nuisance to have to produce a VAT invoice if a customer asks for one.

Note. A receipt is not an invoice, it's an acknowledgment of payment. While much of the information might be the same, an invoice must show the word "invoice" and include certain information that a receipt typically doesn't .

Tip. You can refuse to provide an invoice unless you're VAT registered and the customer can show they are making the purchase for a VAT-registered business or other organisation. If you issue an invoice voluntarily or because you're required to, keep things simple by sticking to the same format even though less information is needed where the customer isn't VAT registered.

Three types of invoice

The minimum data required on VAT invoices can vary slightly depending on the value of the transaction and the nature of your business. There are three types of valid VAT invoice:

- a full invoice
- a simplified invoice; and
- a modified invoice.

What must go on the invoice?

There's a long list of information which must appear on a full invoice. However, as a retail business you can issue a simplified invoice for sales of up to £250 (ex VAT), which need only show:

- your name, address and VAT registration number
- the tax point (usually the date of sale)
- a means of identifying the goods/services
- the VAT-inclusive amount payable for each VAT rate applied and the VAT rate.

A modified invoice is mainly the same as a full one, but can be used by retailers for sales in excess of £250 (ex VAT) and only has to show the VAT- inclusive value of sales.

Tip. Receipts and credit card slips can be modified to meet the requirements of VAT invoices. Most electronic tills etc. can be set up to produce VAT invoices. It's probably worth the effort to do this in order to preserve goodwill with customers and save having to produce a separate VAT invoice each time you're asked.

Conclusion

There's no legal obligation to provide an invoice unless both you and your customer are VAT registered. As a retailer you can use simplified invoices for sales up to £250. In other situations it can save you time in the long run to set up your tills etc. to produce receipts that meet the VAT invoice requirements.

[View VAT invoice requirements here.](#)