

Key VAT Compliance Tasks for UK Shopify Sellers

Managing VAT isn't just about charging tax—it's about staying legally compliant while running your store efficiently. Here's a checklist of essential tasks every UK Shopify seller should follow.

1. Register for VAT if your taxable turnover exceeds £90,000.

This is a legal requirement. You can register online through the official **HMRC portal**.

2. Set up VAT collection in Shopify.

Use the built-in settings in your **Shopify admin panel** to automatically apply VAT rates based on the buyer's location.

3. Issue VAT-compliant invoices to your customers.

You must provide proper invoices showing VAT details. Use tools like **Sufio** or **A2X** to automate this process.

4. File VAT returns regularly.

Submit VAT returns on a **quarterly basis** to HMRC. If you sell in the EU, use the **OSS scheme** to simplify reporting.

5. Automate VAT reporting to reduce manual errors.

Use accounting tools like **Link My Books**, **Xero**, or **A2X** to sync transactions and handle VAT efficiently.

6. Apply correct VAT rates to all products.

Assign the correct **standard, reduced, or zero rates** in your Shopify product settings or via tax overrides.

7. Maintain accurate VAT records.

Keep a detailed log of all **sales, expenses, VAT collected, and input VAT paid** for at least 6 years as required by HMRC.

8. Display VAT-inclusive prices if selling to consumers (B2C).

This is especially important for transparency and compliance in UK consumer law.

9. Configure tax overrides for zero-rated or reduced VAT items.

If you sell books, baby clothes, or other exempt items, use **Shopify's tax override feature** to apply the correct rates.

10. Track threshold limits for EU countries if selling cross-border.

If your total EU B2C sales exceed €10,000, you must register for VAT or use the **OSS Union scheme**.

11. Use reverse charge VAT for Shopify seller fees and services.

If you're VAT-registered and use services like **Shopify subscriptions** or **Shopify Ads**, apply the reverse charge mechanism.

12. Add your VAT number to your invoices and checkout pages.

Display your **VAT registration number** prominently for customer visibility and legal compliance.

13. Back up your VAT invoices and accounting data regularly.

Whether you're using Shopify, QuickBooks, or Xero—ensure your **records are safely stored and retrievable** for audits.

14. Monitor VAT-related changes from HMRC.

Subscribe to official updates or newsletters to stay informed on VAT rate changes or filing obligations.