

VAT REGISTRATION IN THE UK

Introduction

Correctly identifying a requirement to register for VAT will be important for any business dealing in goods or services in the UK. HMRC can issue VAT assessments going back 20 years where a person has not registered for VAT but was required to do so, meaning that noncompliant businesses can be exposed to significant historical tax risks.

When a business must register

A business established in the UK must register for VAT within 30 days of:

- The end of the month in which the total value of “taxable supplies” (i.e. supplies which would be subject to VAT at the standard or reduced rate, or which would be zero-rated), from the last twelve months, exceeded the registration threshold of £85,000 (the “backward look” or “historic” test).
- Any date on which the business has reasonable grounds for believing that taxable supplies in the next 30 days will exceed the threshold of £85,000 (the “forward look” or “future” test).

Where a business is not established in the UK, nor registered for VAT in the UK, that business will be required to register for VAT within 30 days of the earlier of:

- Making any taxable supply in the UK;
- Reasonably believing that it will make a taxable supply in the UK in the next 30 days; or
- Acquiring a business as a going concern from a taxable person.

There are specific requirements to notify HMRC where a business makes distance sales to customers in Northern Ireland or acquires goods in Northern Ireland, but these specific requirements are not considered further in this flyer.

When a business may register

A business that is not required to register for VAT will generally be entitled to register voluntarily where it makes, or intends to make, taxable UK supplies.

Voluntary registration may be desirable where:

- The business wants to recover input VAT and does not believe it would be adversely affected by charging customers VAT on its sales.

- The business wants to avoid having to assess continually whether it meets either of the registration tests and to avoid the risk of failing to register when required to do so.
- The business believes being VAT registered would make it look more established or credible.

The registration process

A VAT registration can be made in the name of a company, a partnership, or an individual acting as a sole trader or landlord. All the business activities of a particular person will typically be covered by a single registration, even if these activities are run separately. Members of a corporate group may be able to register by way of a single VAT group registration.

Most businesses can apply to register online through their 'Government Gateway account'.

Various details about the business, and of any associated businesses and individuals, will need to be submitted as part of the VAT registration application. If the business is in the property sector it will be required to submit an additional information form with various property details. Most aspects of the registration application are relatively straightforward, but professional advice can be valuable to ensure all aspects are completed in the most appropriate and effective way.

The VAT registration application may be dealt with by HMRC in a matter of days but in some cases – particularly for start-up businesses or where there are errors or omissions in the application – it can take much longer. In some cases, HMRC will issue the VAT number but then follow up with a letter requesting some additional information which, if not answered within 30 days, will result in an automatic cancellation of the VAT registration.

Once a business has registered for VAT, it may be able to recover some VAT paid before registration. The time limits for this, from the date of registration, are:

- Four years for goods the business still has; and
- Six months for services.

If you need any advice or assistance on any issues connected with VAT registration, please contact Moore Kingston Smith.

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