

Doing business in the UK: registering your UK business for VAT

VAT is often one of the first taxes that businesses expanding into the UK encounter. It is a self-assessed tax, so you need to know how it applies and when it could apply.

Here, we set out key considerations when looking to register your new UK business for VAT.

Does your business have a UK establishment for VAT purposes?

It is a common misconception that any business established or incorporated in the UK is entitled to be registered for VAT. Confusingly, the rules for creating a presence in the UK for VAT purposes are different from those for corporate tax.

For a business to “belong” in the UK for VAT purposes, it must either have a business establishment (BE) or a fixed establishment (FE) in the UK.

A BE is generally seen as the head office where the central administration of the business is carried out. An FE is an establishment other than the BE with the necessary human and technical resources to make and receive supplies in the UK on a permanent basis.

Risk area:

If there is no intention for your UK business to have directors or employees based in the UK, the UK tax authorities may determine your business does not have an establishment in the UK for VAT and cannot be registered.

Has your business breached the VAT registration threshold?

A UK-established business is required to register for VAT on a compulsory basis where taxable turnover has exceeded the VAT registration threshold (£90,000 from 1 April 2024).

This is either based on a 12-month rolling look-back test or if sales are expected to exceed the threshold in the next 30 days alone. Your business can also register for VAT on a voluntary basis if it is making or intending to make taxable supplies.

Taxable turnover broadly includes sales subject to UK VAT. However, certain services received from overseas businesses are also taxable in the UK under the “reverse charge” principle and count towards the VAT threshold.

Risk area:

Even if your business has not made taxable sales above the VAT threshold, it may still be required to register for VAT where it receives supplies of certain services (including professional services or management charges) from overseas businesses.

Principal place of business

Even with advances in technology and many businesses having no formal office with employees working from home, as part of the VAT registration process, businesses need to confirm their “principal place of business” (or PPOB).

Your PPOB should be where the day-to-day running of the business takes place and not, for example, your accountant’s or lawyer’s address.

Risk area:

If your business does not have a formal office address and uses your or an employee’s home address, HMRC may request evidence to prove that the business is being carried on at that address.

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VAT registration application – non-UK directors

As part of the VAT registration application process, your business is required to include details of its directors and/or partners. If your business does not have any officers based in the UK with UK national insurance (social security) numbers, HMRC requires additional identification documents.

Risk area:

If you do not provide correct identification documents as part of the application process, this can delay HMRC processing the application and/or cause your VAT registration application to be rejected.

VAT registration timing

Most applications for VAT registration in the UK are submitted online. While HMRC aims to process most applications in ten to 14 working days, in practice, applications can take much longer. HMRC also routinely selects certain applications for additional checks.

Your business cannot include VAT on its invoices until it receives a VAT registration number but will still need to account for VAT at the correct rate from its effective date of VAT registration, which can cause administrative complexities.

Risk area:

VAT registration is often not a quick process so you should submit your business's application at the earliest opportunity to avoid causing issues or delays with trading activities.

A final thought

On VAT registration, your business will automatically be enrolled for Making Tax Digital (MTD) which requires records to be kept digitally in MTD-compliant software and VAT returns to be filed electronically with HMRC.

Moore Kingston Smith can assist with all aspects of VAT advisory and VAT compliance matters.

Contact us



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