



The Carbon Accountancy Guide to registering and De- registering for VAT

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August 2012



Disclaimer

When considering VAT it is important to understand the implications. This guide sets out the general rules applicable to VAT. It is not intended to be a substitute for proper professional advice from your accountant or tax advisor.

Identify when a business should register or deregister from VAT

You can't register for VAT if you are outside the scope of VAT or if you are providing exempt sales or services and if you're not in any type of business.

If taxable supplies exceed the registration threshold limit of £77,000 within the last 12 Months registration is compulsory.

Individuals trading with more than one business have a single registration with HMRC.

Each limited company has a separate registration with HMRC.

Deregistration of VAT

An individual or a company must deregister when the business ceases to make taxable supplies and must notify HMRC within 30 days, deregistration is effective from the date taxable supplies ceased.

If the taxable supplies (Turnover) falls within the last 12 months or will be expecting it to fall in the coming 12 months you can deregister from VAT registration when the threshold limit is below £75,000.

Deregistration is effective from the date of request or an agreed later date.

On deregistration, VAT output tax must be accounted for on the value of fixed assets and stocks held at the date of input tax have been claimed however, this final tax liability is waived if it is below £1,000.

How to apply for basic VAT registration

If you need to register for UK VAT registration, you should use form VAT 1 to apply for registration. You can complete this form online, or you can download the form, print it and sent it back by post.

If you send your registration form by post, send it to:

M Revenue & Customs
VAT Registration Service
Deansgate
62-70 Tettenhall Road
Wolverhampton WV1 4TZ



Partnerships

If you are registering a partnership, you will also have to complete form VAT 2 to tell HMRC who the partners are. This is not currently available to complete online but the form can be downloaded from HMRC's website.

If you applied for VAT registration online, you download and post a VAT 2 as above but remember to write the acknowledgement number from your VAT 1 on the VAT 2.

If you have completed a paper VAT 1 you should download and attach a completed VAT 2 to your registration application.

VAT registered person explained

It is the person, not the business, who is registered for VAT. A person can be either an individual or a legal person or entity. A registered person might be:

- a sole proprietor
- a partnership or limited liability partnership
- a company
- a club
- an association
- a charity

Each VAT registration covers all the business activities of the registered person.

Joint ventures and VAT

If you and another person intend to work together on a business or project as a joint venture, HM Revenue & Customs may consider this as a partnership. This would be a new and separate person for VAT registration purposes.

The joint venture may have to register for VAT if its turnover is above the relevant threshold.

Group VAT registration

Two or more companies or limited liability partnerships - may register as a single taxable person – or as a VAT group - if they meet the following criteria:

- Each body has its principal or registered office in the UK
- They are under common control - one or more company is a subsidiary of a parent company

If the turnover of the VAT group is over £10 million per year and the group is partly owned or managed by a third party, you can only register as a group for VAT if:

- No more than 50 per cent. of benefits generated by the business go to third parties.
- Your group uses consolidated accounting.
- No third party consolidates your group into its accounts.



A VAT group is treated in the same way as a single taxable person registered for VAT on its own. The registration is made in the name of the 'representative member'. The representative member is responsible for completing and submitting a single VAT Return and making VAT payments or receiving VAT refunds on behalf of the group. However, all the members of the group remain jointly and severally liable for any VAT debts.