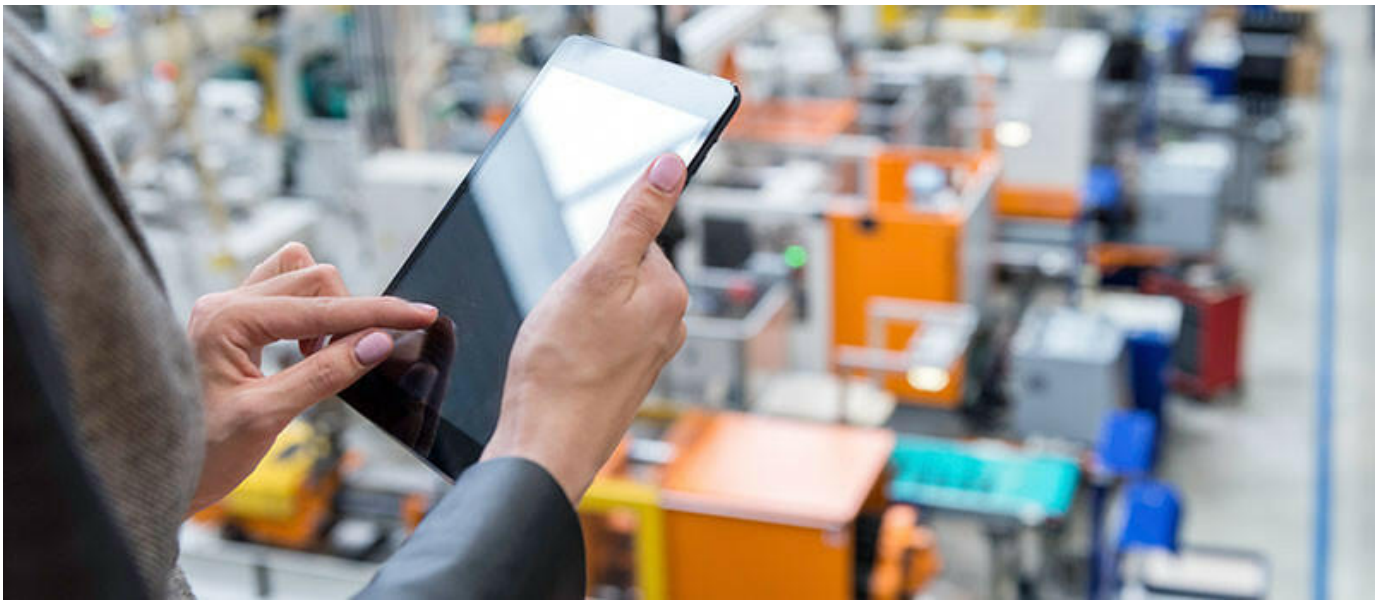
VAT registration: Ongoing engagement with HMRC

Indirect Tax



17 May 2024

The CIOT and ATT continue to engage with HMRC's Joint VAT Consultative Committee's VAT registration sub-group and attend meetings to discuss developments and experiences with VAT registration.

Non-established taxable persons

In our October 2023 article in *Tax Adviser*, (tinyurl.com/3pd32ume), we highlighted that the wording in a question in the online VAT registration portal about non-established taxable persons (NETPs) was causing an unintended outcome. NETPs are 'legal or natural' persons who are not established in the UK but are obliged to be registered for UK VAT. The question asks if a business is an NETP or a non-UK company, though the term NETP refers to both. If the application for a non-UK company selects NETP (as it is a legal person), the director will be registered as if they are a sole proprietor, a 'natural person'.

We followed up on our request that ;the question wording is amended. HMRC are aware of the issue and the unintended outcome, and it is anticipated that it will be amended. However, as it requires a change within the IT system, this is unlikely to be within the short term.

Members of the CIOT and ATT have highlighted to us that they have experienced a variety of advice on how to correct the issue of changing the legal entity status for an unintended VAT registration sole proprietor outcome to a company. We have heard of three routes:

- deregister the sole proprietor and re-register the company;
- submit a correction of the register (VAT Manual VATREG31150) and form VAT 484; and
- change of legal entity via form VAT 68 (tinyurl.com/yc7rfbnt).

As the correction process to a VAT registration is not as straightforward as a simple administrative amendment, we understand that the quickest correction route (and the easiest for HMRC to process) is via deregistration and re-registration. However, in cases where the effective date of registration is four years earlier, the re-registration would push this effective date forward. This is because in the VAT registration online portal, the system will only accept a date of four years earlier than the date of submission of the re-registration.

The correction procedures set out in VAT Manual VATREG31150 should ensure that the effective date of registration remains the same, although we understand from a small number of members that this can take quite some time to be administered.

While the final route, via a change of legal entity form, may offer a practical solution, it seems to be working with a fiction, because the business has only ever existed as a company and the legal entity has not changed.

Member feedback

As mentioned in our earlier articles on VAT registration, the Joint VAT Consultative Committee (JVCC) VAT registration sub-group allows both the CIOT and ATT to escalate ‘outlier’ VAT registration cases; for example, delays beyond the usual service targets, procedural errors, automated rejection of a specified services or compulsory VAT registration.

The team want the VAT registration system to work as smoothly as possible so are keen to improve processes when they hear of cases that are not meeting the usual standards. Please note that the JVCC does not accept queries coming directly from members, only via the representative body members. Please contact us at ; technical@ciot.org.uk or atttechnical@att.org.uk.

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