VAT registration: non-established businesses

Indirect Tax



18 February 2025

The CIOT and ATT attend meetings with HMRC's Joint VAT Consultative Committee's VAT registration sub-group to discuss developments and experiences with VAT registration, as well as referring member feedback on this topic to the Joint VAT Consultative Committee.

When registering an overseas company for VAT results in a sole proprietor outcome

We reported in *Tax Adviser* in October 2023 (tinyurl.com/3pd32ume) and May 2024 (tinyurl.com/y22dmbmv) that the way the online VAT registration portal asks about the status of non-established applicants – that is, requiring you to choose either non-established taxable person (NETP) or non-UK company – results in an unintended outcome. The issue arises due to the definition of 'person' (i.e. the 'P' in NETP). In both legislation and the VAT guidance (tinyurl.com/26h8jufu), the definition of

person includes ‘legal or natural’; however, in the VAT registration portal, choosing the non-established taxable person option is resulting in a ‘natural’ person outcome. The earlier articles provide fuller details of the issue and how to resolve it.

The issue was reported to HMRC and the CIOT continues to raise it, asking for progress updates from the Joint VAT Consultative Committee’s VAT registration sub-group. HMRC have said that the issue is a priority. However, it is part of a wider review for the VAT registration journey of non-established applicants, so a timeline for when it will be resolved is yet to be confirmed. In the meantime, we recommend that this issue is highlighted to colleagues dealing with processing online VAT registration applications for overseas businesses.

Registering for VAT by post

The GOV.UK guidance (tinyurl.com/7jedtf79) lists several scenarios where applicants may request to register on a paper form via post. This includes those that are digitally excluded, as well as those in the following circumstances:

- a limited liability partnership registering as a representative member of a VAT group;
- an overseas partnership;
- divisional registration (section 9 of VAT notice 700/2: tinyurl.com/2yvypsm9);
- a local authority, parish or district council; and
- temporary breach of registration threshold, known as an ‘exception’ to VAT registration (paragraph 3.7 of VAT notice 700/1 tinyurl.com/2s4adfb4).

HMRC state in guidance that they will consider other reasons, beyond those listed. We understand that this can also include the following scenarios for non-established businesses:

- a UK registered company that does not have a UK place of establishment (other than a ‘brass plate’ registered office);
- where an overseas director does not have a national insurance number or a unique taxpayer reference and the online portal will not accept the overseas tax identification number; and
- where an overseas director has a national insurance number or unique taxpayer reference but the online portal will not accept it.

The CIOT also raised the first point to HMRC for a fix within the online VAT registration portal.

Member feedback

We are always interested to hear member feedback highlighting particular difficulties when registering for VAT, either with the online portal or registration processes. Although this article considers issues for non-established businesses, we are happy to hear about VAT registration issues for UK businesses too. Please contact us at technical@ciot.org.uk.

Jayne Simpson *jsimpson@ciot.org.uk*