

Agreed date for voluntary registration

In a recent VAT tribunal case a barrister voluntarily registered for VAT effective from the date in which she started practice. However she did not realise that she was required to charge VAT from the date she was registered rather than the date she received the registration number. Originally she did not specify a date in her VAT1 form and she put "As soon as number available". In her replies to the Customs request for information, she inserted the date when she started her practice as her preferred date of registration. She appealed to the Tribunal claiming that Customs should have checked with her because that date was an apparent conflict with other papers that she submitted. The Tribunal rightly pointed out that she had no right of appeal because it was a voluntary registration from a date agreed by the parties.

Businesses that apply for VAT registration need to decide practically and commercially how they will deal with VAT in the period from the VAT registration date to the date when the VAT number is received. This is because it cannot issue VAT invoices but does have to account for VAT on those sales. If you need help in this area please call us.

Construction - VAT group and recoverable input tax

A company entered into a contract with another group company to provide a development service. At the time of the contract both companies were in a VAT group. Part of the contract price was prepaid and a few days after the contract was entered to the appellant company left the group and became separately registered for VAT. The construction work started after the company left the group and was completed 2 years later. The company contended that all its input tax was deductible at the time that liability to output tax arose. Customs argued that the company could not recover the input tax because it arose after the company left the VAT group. The Tribunal allowed the company's appeal and agreed that the company was entitled to recover the whole of its input tax as all the inputs were used by the company to make taxable outputs.

The assessment was made in early 1998 for over £3m; eight and a half years to get a Tribunal decision shows why attention to your VAT affairs at the right time is most important.