

Delays in VAT registration

The following bulletin was recently circulated to VPG members and is illustrative about the deteriorating position with regard to obtaining UK VAT registration.

Help us to help you!

The continuing and unacceptable HMRC delay in processing new VAT registrations is the biggest single VAT issue facing members and their clients.

Some registrations are taking over six months to obtain. Smaller businesses are faced with cash flow problems because, without a VAT number, they have difficulty in getting their invoices paid.

Larger businesses find restructuring or acquisitions held up; and for everyone, property transactions are delayed if the purchaser needs to become VAT registered, e.g. on a TOGC.

In the recent oral evidence given to the House of Commons Treasury Sub-Committee, it was estimated that up to £100 million of chargeable time is lost by members correcting HMRC's inefficiencies and errors, of which only about 20 per cent is passed on to clients.

This issue has been raised at the JVCC (Joint VAT Consultative Committee) for well over a year now without any significant improvement.

The current situation

The most recent information is that:

- Newry VAT registration office is closing. HMRC accept that this will cause further delays in the short term, but the decision to close it was made to meet their government target to reduce staffing levels.
- Newry is currently taking 30 days **to open** registration applications.
- Wolverhampton VAT registration office is currently taking 34 days **to open** applications.
- Carmarthen appears to be performing somewhat better than Newry and Wolverhampton (but we do not have precise details).
- HMRC have stated that there is a temporary worsening of the position due to an additional 20,000 applications for VAT registration received from newly-incorporated companies as a result of the managed service companies rules in the Finance Bill 2007.

The delays that are occurring in actually opening applications received makes HMRC's claim that 95 per cent of applications are processed within 30 days look rather at variance with the facts.

If this statistic only reflects the time from when the post is opened, then HMRC's figures are misleading.

HMRC says that additional checks have become necessary to counter Missing Trader Intra-Community (MTIC) fraud.

While it is right that HMRC takes action to counter and deter MTIC fraud, the registration delays appear to be steadily getting worse. Since MTIC fraud is unlikely to disappear, there is clearly a longer term management and staffing problem that HMRC needs to address if response times are to be improved.

How you can help

Over the summer more pressure will be brought to bear on HMRC to resolve the 'VAT Registration Waiting List' problem, but to help with this we need more information from you.

Please tell us of your experiences, in particular provide information on any of the points below:

1. The length of the delays you are experiencing and whether they are worsening, improving or staying about the same
2. Your experiences when you chase up applications with HMRC
3. Your experiences when you make a complaint
4. Any further information on how long VAT registration offices take to open applications
5. Whether HMRC is still asking questions to which they already have the answers in your application
6. Whether HMRC is asking non-VAT questions (e.g. to do with income tax) before they will grant a registration
7. Any other information that may be useful

The information that you send will be used in bringing pressure to bear on HMRC as examples. If you provide the reference number provided by the Registration Unit HMRC will be able to review the case and determine the cause of the delay for that case. The VPG has done this in the past and have been told that it is helpful to HMRC. If you do not wish to provide the reference number, or do not have your client's permission to do so, please provide the information requested anonymously.

Ideally we would like your comments **before Friday 29 June 2007**, but please keep them coming over the summer. We know everyone is busy with their day job, but the more evidence we obtain, the greater the impact and the more likely it is that HMRC can be encouraged to prioritise this issue and take action to reduce the delays.