

No back dating of VAT registration
Kevin & Mary Lai t/a The Rice Bowl

A restaurant owner who had incurred considerable expense in refurbishing his premises, requested that the Commissioners accepted a back dated VAT registration to enable him to recover expenses incurred on professional services. However, the Commissioners disallowed part of the claim relating to the services rendered to the business during the course of the renovation project on the basis that VAT could not be treated as input tax more than 6 months prior to the VAT registration. Whilst the restaurateur claimed that it was unfair to impose a 6 month time limit on the refurbishment project and that he should be allowed to apply to HMRC to further back date the date upon which the VAT registration took place, contending that had he asked for an earlier date in his original application it would have been granted, his appeal was rejected.

The Tribunal was powerless to further back date the VAT registration further because there was no statutory provision to enable it to change the effective date of registration and they could not allow anything beyond the 6 month deadline. The appellant should have sought an earlier registration date in the first place, the he could have recovered the VAT as input tax.

This case serves to highlight some of the problems with VAT registration. It is important when registering a company to ensure that the effective date of registration is correct to enable recovery of VAT incurred up to 6 months prior to the effective date of registration.