

VAT

Selling a Business and/or Assets

The assets of a business can include stock in trade, machinery, goodwill, premises and fixtures and fittings. In all these cases the assets are transferred from one person to another and therefore may be covered by the Trading as a Going Concern [TOGC](#) provisions.

The assets transferred must be intended for use by the new owner in carrying on the same kind of business (i.e. a Bakery is sold to start trading as a Bakery and Confectionary shop, but not to sell motorcycles!).

If the new owner uses the assets to carry on a different kind of business then VAT must be charged on the sale at 20% (from 04/01/11)

If the business is canceling the registration and still has some goods for which it has claimed input tax and these are not being transferred with the business, the original owners will have to account for VAT on these assets.

The documentation sent when deregistering deals with this. A business will not have to account for VAT if the total VAT due on the assets would be £1,000 or less.

If, when registration is cancelled, there are capital items covered by the scheme which are still within their adjustment period the business will need to make a final adjustment. Notice 706/2 Capital goods scheme explains this in more detail.

A business must not charge VAT on assets if transferred as a going concern or changing its legal entity (i.e. from a Partnership to a Limited Company) and the new owner is registered for VAT.

If the business is transferred as a going concern to someone who is not VAT registered, then VAT must be accounted for in the normal way. Transfer of a business as a going concern [TOGC](#).

VAT may have to be accounted for on some business assets and stock on hand depending on what they are, how they were obtained and why the business is canceling the registration.

Assets include interests such as land (but only where supplies, if made, would be taxable, for example where an option to tax has been made) and tangible goods (for example unsold stock, plant, furniture, commercial vehicles, computers etc) on which the business could reclaim VAT when they were bought.

Intangible assets such as patents, copyrights and goodwill are disregarded.

The following items should be excluded: -

- goods bought from unregistered businesses
- cars (except private taxis, self-drive hire cars and driving school cars on which input tax has been claimed)
- goods bought under a VAT second-hand scheme
- goods used wholly for business entertainment
- goods which have been directly attributed to an exempt business activity (unless some input tax relating to these goods was reclaimable through the partial exemption rules)
- land or buildings which were obtained VAT-free even though they may be used to make standard-rated supplies (such as holiday accommodation or because you have opted to tax the property)
- goods not bought for a business purpose
- goods bought before VAT was introduced on 1 April 1973, which were not relieved of Purchase Tax or Revenue Duty.