

VAT

The Deregistration Process

There may be a number of reasons why a business would wish to de-register for VAT: -

- Cease to make taxable supplies.
- The turnover of the business is permanently reduced.
- The intention to make taxable supplies ceases.
- The business is sold.
- The legal status of the business changes (i.e. Sole Trader to Ltd Company).
- The VAT group is disbanded
- The business joins a VAT group

The current Turnover threshold for a business is <£71,000

This reduction in turnover has to be a permanent effect, and not just a short-term effect of trading.

To apply for Voluntary De-registration the form VAT7 needs to be completed. This can be found at: -

http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?nfpb=true&pageLabel=pageVAT_Forms&propertyType=document&id=HMCE_PROD_010234

There is a new form which is only 4 pages long, and consists of a number of sections, detailing the above. Answer the questions and work through the flow, as it is designed for large sections to be omitted. There is a space where more explanation can be put and it is recommended to use this if a business wants to remain trading but has a reduction in turnover to explain.

The date of cessation will be either the date selected on the registration form, or the date that the VAT office receives the document.

Choose the date of deregistration carefully. If there are financial matters to be settled, even after trading has ceased, and there is a possible VAT issue on a sale or purchase, delay the VAT deregistration until you are confident that no more transaction will be taking place.

If there are invoices and payments that occur after deregistration any adjustments can be made, via form VAT 427 – this can be found at the same website link above, under the same Forms listing. [Claims for relief after de registration: VAT 427.](#)

VAT **MUST** continue to be charged until confirmation of de-registration is received.

VAT de-registration cannot be backdated.

Once a business is de-registered, it cannot reapply for registration for 12 months.

NOTE – the VAT office can refuse to allow de-registration.

If de-registration is confirmed, a final document detailing the de-registration is sent called a VAT 35. The pack will also include: -

Stocks and Assets on Hand Questionnaire (return in envelope provided).
Final VAT Return VAT 193 – Brown document (return to Southend on Sea).

STOCKS

VAT must be accounted for when it has been previously claimed on assets and stocks held by the business, depending on: -

- What they are?
- How the business obtained them?
- Why the business is de registering?

You do not have to account for VAT if the Total VAT due on the assets would be £1000 or less.

If

You are closing your business
The turnover has fallen below the threshold

Account for VAT on Stock
and Assets in hand on the
date of deregistration.

You obtained VAT-free assets as part
Of the business purchase as a going
Concern from a taxable person

Include in your
calculations.

You obtained Land or building as
Assets of a business transferred as a going
Concern (Notice 700/9)

Account as if they had
been opted to tax by the
previous owner

[VAT Issues: Transfers as Going Concerns](#)

Do not charge VAT on assets if they are being transferred as a going concern, or there has been a change of its legal identity, and the new owner is registered (i.e. Sole Trader to Ltd Company).

Assets INCLUDE

Land

Tangible Goods, like stock, plant, Fixtures and Fitting

Anything you could reclaim VAT on when purchased

Excluded items

Goods purchased from an unregistered businesses

Cars (excluding Taxis, self drive hire and driving school cars)

Goods purchased under the second-hand scheme

Goods used wholly for business entertainment

Land or buildings

Good associated wholly with an exempt part of the business

Non business goods