

# VAT registration: further developments

## Indirect Tax

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19 February 2024

Representatives from CIOT and ATT and other professional and industry bodies attended recent meetings of the Joint VAT Consultative Committee's VAT registration sub-group to discuss upcoming changes and potential improvements for VAT with HMRC. This article looks at some of the points discussed.

### Service levels

After experiencing long-term delays in processing VAT registrations due to a combination of the Covid period then a fraudulent attack on the system in summer 2022, HMRC's VAT registration team has been working within its service level agreement of processing at least 80% of applications within 40 working days for over a year. In the last six months, these targets have been exceeded, with applications being processed in a reduced number of working days in over 90% of cases. We understand that the contact email address is also working within the five working day service level agreement standard. That said, there are still some outlier cases falling into the delayed service level agreement category (see below).

### Automatic rejection of compulsory registrations

We received several examples from members where clients have had compulsory VAT registration applications automatically declined. Based on feedback, HMRC carried out an internal review of several cases and as a result, have updated the system so that this should not be happening going forward. If an application fails the fully automated process, the case should now create a 'more information is required' correspondence request.

### Automatic rejection of trade class

We have submitted several examples of applications that have been automatically rejected based on the Standard Industrial Classification Codes (SIC codes, sometimes also referred to as 'trade class') which have indicated a wholly exempt activity (for example, insurance or financial service intermediary services). HMRC recommended that where there are some taxable activities, further SIC codes can be selected to reflect that activity.

We also highlighted that purchases may be the reason for VAT registration; for example, purchasing international services that are subject to a reverse charge in the UK. The business may also be making international supplies of services that would be exempt in the UK which qualify for the 'specified supplies' rules for input VAT recovery (see VAT manual VATPOSS03200 for fuller details of specified supplies), which allows for voluntary VAT registration. HMRC recommended adding wording to the 'further details' text box in the VAT registration application, such as 'specified supplies' or 'reverse charge purchases', and further system work is ongoing to recognise additional circumstances. HMRC subsequently updated paragraph 2.7 of VAT Notice 700/1 to make this clearer for specified supplies.

## Member feedback

Currently, both the CIOT and ATT (and other JVCC membership representatives) are able to escalate member cases of excessive VAT registration delays or procedural issues to HMRC if, for example:

- there has been no contact within 45 working days (40 working days for the registration period and five working days for the business/agent to use the team's email contact address); or
- there has been automatic rejection of compulsory VAT registrations (and no request for further information received).

If you would like to provide feedback on the examples provided or to highlight other issues with the VAT registration process, please contact us at [technical@ciot.org.uk](mailto:technical@ciot.org.uk) or [atttechnical@att.org.uk](mailto:atttechnical@att.org.uk).

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