

HMRC focuses on VAT registrations



HMRC is running a campaign looking for VAT registrations that might be fraudulent. The investigations are focused on applications made since the start of 2022.

It's our understanding that HMRC will initiate their enquiries by contacting VAT-registered persons, companies or partnerships and asking for evidence of trading activity.

However, we're already dealing with one case in which the HMRC's request for information was accompanied by a cancellation of the registration, adding further delay to recovering VAT on business set-up costs. We have written to HMRC with documentary evidence of trading activity but don't yet know the outcome.

Given that it is already taking HMRC more time than usual to deal with many routine matters, it's likely that this campaign could add many more months to the whole process of getting a VAT number and being able to recover VAT on business costs.

New penalty regime now in place

The changed VAT penalty and interest regime for returns beginning on or after 1 January 2023 will be more expensive for some businesses. The headline penalties for a late VAT return – £200 plus another £200 for every subsequent late submission – make the changes appear to be less costly.

However, late payment interest (LPI) starts on the first day after the due date at the Bank of England base rate plus 2.5%. Higher interest rates will therefore make this quite a significant charge.

Furthermore, late payment penalties (LPP) will be imposed, starting at a rate of 2% from day 16 after the due date, with an additional 2% on the amount outstanding on day 30.

So, get returns in on time, even if full payment cannot be made. Pay as much as you can as soon as you can to reduce LPP and LPI. More detail on the Shipleys website at: <https://tinyurl.com/2aubjkd5>

Holding companies and management charges
VAT registration and the recovery of VAT incurred on expenditure have always been tricky for holding companies – and it's become more challenging as HMRC targets holding company structures.

No surprise then that the Shipleys website page outlining the rules that affected businesses need to be aware of is proving popular with our clients. Please go to: <https://tinyurl.com/432rcfps>. If you would like advice or further information, please speak to your usual Shipleys contact.

HMRC delays

As mentioned above, HMRC's VAT teams across the UK are still facing significant backlogs, which is affecting the processing of VAT registration applications, VAT group applications, changes to VAT registration details, VAT error disclosures and requests for VAT clearances.

In such circumstances, it's more important than ever to get expert advice to ensure there are no mistakes in any VAT information your business submits, which could exacerbate delays.