

# VAT Group Registration applications – VAT accounting and reporting pending HMRC's response

11 Jan 2022

For several months we have been in discussions with HMRC, seeking to obtain clarity on how businesses should account for VAT while waiting for HMRC to approve (or otherwise) their VAT grouping applications. This has gained increasing importance as there have been lengthy delays in HMRC responding to such applications.

We have received guidance from HMRC, reproduced below, in respect of the VAT issues arising when a VAT group registration application is delayed. Please note that the CIOT continues to discuss the position with HMRC as we are aware that there are differing experiences of our members that have not matched what the guidance sets out. We will publish an update in due course.

## **Submitting Returns**

*Whilst the application is processing, if the single entity and/or the VAT group are already VAT registered, their VAT returns must be filed as they become due. These returns should be calculated correctly, as if the application was not happening.*

*Sales and purchases should be included on the relevant VAT return. Any supplies between the group and single entity must be treated as normal sales and purchases.*

*Failure to submit VAT returns, pay their VAT bill on time or submitting inaccurate return figures can result in default surcharges and/or civil penalties. See VAT Notice 700/50 and VAT Notice 700/42 for more details.*

## **Processing your client's Application**

*When your client's application is processed, if there has been a delay, some additional steps may be required so they can join the group from the date requested. If this is the case with your client's application, we will contact you, explain the situation and what steps we need you to do.*

*Depending on the specifics of the case, we may need to:*

- *Cancel a submitted VAT return for the single entity, if the period overlaps with the date your client wants to join the group. If that return resulted in repayment, they will need to return that repayment to us.*
- *Ask you to complete a VAT return, covering the start of the cancelled period to the date your client asked to join the VAT group.*

- *Ask you to make an adjustment on the VAT Group's next VAT return or submit an error correction, once it is confirmed that the single entity has joined the group.*

*We hope these steps will only be required in rare cases. When they are, HMRC will fully inform and support you to make the process as smooth as possible.*

### **Example**

*Company A is VAT registered and applies to join VAT Group B with other companies. Company A request that they join the group from 14<sup>th</sup> February.*

*Company A has a VAT return period running from 1<sup>st</sup> December to 28<sup>th</sup> February, so must submit their return by 7<sup>th</sup> April. As they have not had a response, they submit their return prior to the due date. This return would take into account the supplies made and received by Company A alone.*

*When the application is worked, HMRC sees the submitted return which covers the requested Group registration date. A VAT Groups Caseworker contacts the person who completed the VAT50/51 form to explain the situation. In order to process the change at this date, the submitted February VAT return must be cancelled, and a manual VAT Return will be required from 1<sup>st</sup> December to 13<sup>th</sup> February.*

If you have any further queries on this matter, please send them to [technical@ciot.org.uk](mailto:technical@ciot.org.uk) and we will seek any further clarity required.

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