HMRC - VATDSAG03200 - Intention

Before you rule that a separated business is a single entity, you must confirm the traders’ intention when they organised the business. Tribunals have given a lot of weight to the intention of traders. Where it is evident that

the traders’ intention was to operate as separate entities, and

they have made a genuine attempt to separate the business activities

the Tribunal will invariably decide in their favour; see R Wallace at page VATDSAG08400.

If the explanation you are given would be a difficult one to dispute, especially before a Tribunal, you should accept that more than one legal entity exists. In such circumstances, you should still consider whether the separation is artificial and thus whether a Notice of Direction should be issued (see VATDSAG06000).

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