HMRC - VATSC11000 - Goodwill

What is Goodwill?

Goodwill is usually referred to when a business is being sold and is used to describe the intangible assets of a business. It is calculated as the difference between the value of the business as a whole and the sum of its separately identifiable parts. However, it is often used in connection with identifiable assets such as lists of customers, the trade name and any agreements where the vendor will not trade in competition with the purchaser.

Liability

Before 1 January 1983 the sale of unidentifiable goodwill was regarded as being outside the scope of VAT. Since that date, any sale of goodwill is a taxable supply of services under section 5(2)(b) of the VAT Act 1994 except where it is sold as part of a transfer of a going concern. In these cases, the transaction is not a taxable supply if it meets the conditions of Article 5 of the VAT (Special Provisions) Order 1995. Under these circumstances the transfer of goodwill is not subject to VAT.

Previous page

Next page