HMRC - VATSC45400 - Formation

A business wishing to become a limited company may instruct a solicitor, accountant or specialist company to either form one on their behalf, or purchase a ready-made company ‘off the shelf’. The solicitor etc will register the company at Companies House and pay any fees on the client’s behalf.

The service by the solicitor etc of forming a new company is standard rated. However, if the business gives instructions for the limited company to be formed before its registration takes place, any registration fee/capital duty paid by the solicitor on behalf of the business and recharged to them is a disbursement and so is not consideration for any supply for VAT purposes.

Ready-made companies

Since forming a new limited company can take several weeks, some company registration agents form a number of companies on a speculative basis. They hold these companies in stock, which allows customers to acquire a company registration quickly if needed.

In forming such ‘off the shelf’ limited companies, the agent is not acting on the instructions of a client. Therefore any registration fee/capital duty paid by the agent cannot be passed on to an eventual client as a disbursement. Rather it forms part of the standard rated supply of the ready-made company to the client. This rule also applies to the sale of existing shares which cannot be exempt in these circumstances.

Next page