

Leaflet 12

CANCELLATION OF REGISTRATION

01. WHEN MUST I CANCEL MY REGISTRATION?

You must cancel your registration if:

- a) You close down or sell your business. If you have more than one business and you are selling some of them to other persons, you can cancel your registration if the taxable turnover of your remaining business is below the threshold limits. (See Para 3).
- b) You cease to make taxable sale of goods as part of a business activity.
- c) Your legal status changes, for example:
 - You are a sole proprietor and form a partnership;
 - You dissolve a partnership and run the business as a sole proprietor;
 - Your sole proprietorship or partnership is replaced by an incorporated company;
 - Your company is wound up and replaced by a partnership or a sole proprietorship.
- d) You stop making taxable sales for any other reason. (e.g. If a VAT registered sole proprietor dies, his executors have the responsibility of cancelling his registration).

In any of the above cases, you must inform the Commercial Taxes Department within 14 days, of the date of the change. An application for cancellation of registration can be obtained from the local Tax Office.

Failure to apply for cancellation of the VAT registration at the proper time may cause you to be liable to a penalty. If you are unsure about your legal responsibility to cancel your registration, you should consult your local Tax Office for advice.

02. CAN MY VAT REGISTRATION BE CANCELLED BY THE COMMERCIAL TAXES DEPARTMENT?

Yes. The Commercial Taxes Department can cancel the VAT registration of any person who is considered not required or entitled to be registered for VAT under the conditions explained in VAT leaflet 02 (“*VAT & TOT Registration Guide*”).

In addition, the Commercial Taxes Department can cancel the registration of a person who has voluntarily registered for VAT where that person:

- a) Has no fixed place of abode or business;
- b) Does not keep proper accounting records;
- c) Has not submitted correct and complete tax returns.

03. WHEN CAN I ASK TO HAVE MY REGISTRATION CANCELLED?

You can ask for cancellation if:

You can satisfy the Commercial Taxes Department that:

- The value of your taxable turnover exclusive of VAT for the previous 3 calendar months did not exceed Rs.10 lakhs;

AND

- The value of your taxable turnover exclusive of VAT for the previous 12 calendar months did not exceed Rs.30 lakhs.

04. ARE THERE ANY DISADVANTAGES IN CANCELLING MY VAT REGISTRATION?

You will no longer be able to reclaim the VAT paid on your taxable purchases. In addition, you will be required to pay back input tax credit availed in respect of goods on hand on the date of cancellation.

05. WHAT IF I HAVE A CREDIT BALANCE AT THE TIME OF CANCELLATION OF REGISTRATION ?

If you have tax credit at the time of cancellation, the same will be refunded to you within 90 days of making the claim.

06. WHAT SHOULD I DO TO OBTAIN FURTHER INFORMATION?

You should contact your local Tax Office.