Tax Alert

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Finance Act 2025 – Deemed deregistration for intending traders failing to initiate taxable supplies

In Brief

The Finance Act 2025 specifies the powers of the Commissioner General (the "Commissioner") when an intending trader modifies the commencement date for making taxable supplies, as initially indicated in their VAT registration"

Key issue

Intending traders anticipating reaching VAT registration threshold can register with the intention of making taxable supplies in the future. Typically, they register to reclaim input VAT incurred during the business set up and development.

A trader must present adequate proof to convince the Commissioner of their intention to begin generating taxable supplies, including a timeline, at the time of VAT application. If this timeline is not met, traders must inform the TRA within 90 days after the timeline has ended, providing reasons for non-compliance with the conditions and stating a new timeline.

The Finance Act 2025 specifies that upon receiving notification from the trader, the Commissioner must issue a decision detailing the reasons for approving or denying an extension of the proposed timeline.

If the extension is not granted, the trader will be considered deregistered for VAT purposes.

What do these changes mean for intending traders?

Once deregistered, intending traders cannot claim input tax credits. Therefore, it is crucial for them to review their VAT applications to ensure there are no changes to the specified timeline.

If changes occur, timely notification must be provided to avoid risks of deregistration.

How can we assist?

Our team is ready to help you review VAT applications and ensure that timelines are appropriately communicated with the TRA.