

**Leaflet 13**

**TRANSFER OF BUSINESS**

**01. WHAT ACTION DO I NEED TO TAKE CONCERNING VAT, IF I TRANSFER THE OWNERSHIP OF MY BUSINESS?**

First you have to decide if you are transferring the business as a going concern. In other words, the business is to continue to trade under a new ownership. If it is to continue as a business, then subject to certain conditions, the transfer of the business is exempt.

If the business is to cease although the ownership is to change, or the conditions to qualify for exempt treatment are not met, you must follow the full cancellation procedures and account for VAT on the stock and assets on hand on which you have received a credit for input tax.

**02. WHAT ARE THE CONDITIONS TO QUALIFY FOR EXEMPT TREATMENT?**

- a) The business must continue trading under a new ownership.
- b) The purchaser or new owner of the business must be registered as a VAT dealer at the time the business is acquired.
- c) The VAT dealer transferring the business must notify the Tax Office of the transfer of the business within 10 days of the date of the transfer.
- d) The VAT dealer transferring the business must seek cancellation of his registration, if he has no other business activities, and comply with all the requirements of the provisions for the cancellation of the VAT registration. (*See VAT leaflet 12 “Cancellation of Registration”*).
- e) The new owner of the business who is a VAT dealer must obtain all the business records related to the transfer of the business and retain them for 6 years.
- f) The new owner must account for VAT on all stock and assets acquired on the transfer of a business when a taxable sale is made.

**03. WHAT HAPPENS IF I AM CHANGING THE LEGAL STATUS OF MY BUSINESS?**

If you are changing your business, say, from a sole proprietorship to a partnership, a sole proprietorship to a corporation, a partnership to a corporation, etc., you must cancel your existing registration and register the new legal entity.

**04. WHAT HAPPENS IF I SELL ASSETS OF THE BUSINESS SEPARATELY?**

You must charge VAT on these sales and account for the VAT in your final tax return.

**05. WHAT EFFECT DOES THE EXEMPT SALE OF A BUSINESS HAVE ON MY CALCULATIONS FOR CLAIMING INPUT TAX CREDIT ?**

None. If you have to calculate the amount of input tax credit that you can claim you can disregard the value of the exempt sale of a business (*For more details See leaflet 04C “What can I claim as a credit of Input tax if I am making sale of exempt goods ?*).

**06. WHAT SHOULD I DO TO OBTAIN FURTHER INFORMATION?**

You should contact your local Tax Office.