

Ceasing a VAT activity

In every phase of the 'life' of a company you should comply with a number of administrative formalities. At the start you should be identified with the Banque-Carrefour des Entreprises (the business database) and apply for a VAT number. If your economic activity changes and impacts your right to deduct VAT, you should report this change. Finally you should inform the tax authorities when you cease your economic activity.

Who should report?

Logically only VAT payers who should report the start of their economic activity should report the cessation. It has no sense to report the ceasing if the start was not reported. This means that the following VAT payers should not report the start, change, or cessation of their economic activity: (1) VAT payers who do not have any right to deduct VAT since they only perform VAT exempt services (e.g. doctors), and occasional VAT payers who (2) supply a new building or (3) perform an intracommunity supply of a new means of transport.

What?

Ceasing of the economic activity should be reported if it has the full loss of the capacity of VAT payer as a consequence. The cessation should be complete, definitive and effective:

- complete: if you only stop a part of your activities, you should report the 'change' of your activity;
- definitive: a temporary cessation, e.g. because you are unable to work due to illness, does not lead to the loss of the capacity of VAT payer and should consequently not be reported;
- effective: you should actually stop your activity and can no longer perform any taxable transactions.

Watch out: If you do not report the cessation of your activity in due time (this means within one month after cessation), you are deemed still being active. You are then subject to all obligations of a VAT payer.

Reporting of the cessation to the tax authorities has nothing to do with other obligations, e.g. making the necessary reporting to the Banque-Carrefour des Entreprises (the business database) in order to able them to delete your company, etc.

Some special cases (1): liquidation and bankruptcy

A company which is *liquidated* only loses its capacity of VAT payer at the moment the liquidation is closed. In other words: during the liquidation the company remains a VAT payer. The transactions of the liquidator are accounted to the company.

The judgment through which a company is declared *bankrupt*, does not automatically lead to the loss of the capacity of VAT payer. Only when the bankruptcy is closed, after settlement of the curator, the cessation takes place.

Some special cases (2): individual establishes a company

If you perform an economic activity as an individual (as a sole proprietor), you are a VAT payer. If you then contribute your business into a company, you lose the capacity as VAT payer, which is transferred to your company.

You should therefore report the cessation of the economic activity in your own name (form 604.C) and subsequently report the start of the economic activity in the name of your company (form 604.A).

How?

You should file the form 604.C with your competent VAT office within one month after ceasing your activity. You can file the document yourself, but it can also be done by an organ of the company (e.g. a director), a third party who has obtained a proxy to do so (an employee, internal or external bookkeeper) or an enterprise counter.

You have one month as from the moment of the change to comply with the reporting obligation. The original document should be fully completed and handed over to the competent VAT office or send by mail. Electronic filing is not allowed.

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