



The Small Business Startup Guide to Virginia Tax Registration

One of the early formation tasks for a small business start up in Virginia (typically after forming a new business entity with the State Corporation Commission and applying for a federal EIN from the IRS) is to apply online with the Virginia Department of Taxation. Here are answers to a few commonly asked questions about the state tax registration process.

Where and how do I apply?

The good news is that you can complete the registration process online at www.virginia.tax.gov. Written applications may be submitted on Form R-1.

What am I applying for?

1. Sales and Use Tax Registration. The Virginia Retail Sales and Use Act establishes a tax on the sale, lease or rental of tangible personal property or the use or consumption of tangible personal property in Virginia, as well as taxable services in Virginia. A seller is subject to the sales tax imposed on gross receipts from retail sales. “Retail sales” includes sales made for any purpose other than for resale. The tax may also apply to the furnishing of transient accommodations and the lease or rental of personal property. See [Code of Virginia § 58.1-603](#). The seller is responsible for collecting the tax from the customer on each taxable sale. The tax must be separately stated and added to the sales price or charge. The general sales tax rate for Virginia is 5.3% (4.3% state tax and 1% local tax). There is an additional 0.7 percent state tax imposed in the localities that make up Northern Virginia and Hampton Roads, making the rate in these areas 6% (5% state tax and 1% local tax).

2. Employer Withholding Tax Registration. An employer who pays wages to one or more employees in Virginia is required to deduct and withhold state income tax from those wages. Since Virginia law substantially conforms to federal law, if federal law requires an employer to withhold tax from any payment, Virginia withholding is also required. A Virginia employer must register for withholding tax, file income tax withholding returns, and pay the income tax to Virginia Tax Department either quarterly, monthly, or every two weeks depending on the amount of tax being withheld. Employers must file withholding returns whether or not there is withholding tax owed. For most small business owners, it is advisable to outsource payroll service and compliance to an experienced third-party payroll service firm.

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3. Pass-Through Entity Registration. Every pass-through entity that does business in Virginia or receives income from Virginia sources must file an income tax return on Form 502. The term "pass-through entity" includes S corporations (including an LLC that filed an election to be classified for tax purposes as an S corporation), general partnerships, limited partnerships, limited liability partnerships (LLPs), limited liability companies (LLCs), electing large partnerships, and business trusts. A pass-through entity is any entity other than an individual estate or trust that is recognized as a separate entity for federal income tax purposes and the owners of which report their distributive or pro rata shares of the entity's income, gains, losses, deductions, and credits on their own returns. For purposes of this registration and filing requirement, the definition of "pass-through entity" does not include single-member LLCs, which by default are classified for tax purposes as sole proprietorships or investment pass through entities.

4. Miscellaneous. There are several other Virginia tax registrations required for new businesses in special industries, such as a communications tax, litter tax, tire recycling tax, soft drink excise tax, aircraft sales tax, and watercraft sales tax, among others. Not likely applicable to the typical "main street" small business, but worth double checking with your accountant or attorney as you navigate the registration process online or the written Form R-1.

Where can I go with questions about Virginia Sales and Use Tax?

In addition to your team of professional advisors and service providers (e.g., your accountant, payroll servicer provider, or small business attorney), there are a variety of helpful resources available at your finger tips to assist with questions as you navigate sales and use tax compliance:

<https://tax.virginia.gov/retail-sales-and-use-tax>

<https://tax.virginia.gov/how-file-and-pay-sales-and-use-tax>

<https://www.taxjar.com/states/virginia-sales-tax-online/#do-you-have-sales-tax-nexus-in-virginia>

<https://www.avalara.com/taxrates/en/state-rates/virginia/virginia-state-guide.html>