



# Finance Act 1987

## 1987 CHAPTER 16

### PART I

#### CUSTOMS AND EXCISE AND VALUE ADDED TAX

#### CHAPTER I

#### CUSTOMS AND EXCISE

#### *Duties of excise*

### 1 Unleaded petrol

- (1) After section 13 of the Hydrocarbon Oil Duties Act 1979 there shall be inserted the following section—

**“13A Rebate on unleaded petrol.**

- (1) On unleaded petrol charged with the excise duty on hydrocarbon oil and delivered for home use there shall be allowed at the time of delivery a rebate of duty at the rate of £0.0096 a litre.
- (2) For the purposes of this section petrol is "unleaded" if it contains not more than 0.013 grams of lead per litre of petrol or, if the petrol is delivered for home use before 1st April 1990, not more than 0.020 grams of lead per litre of petrol.
- (3) Rebate shall not be allowed under this section in any case where it is allowed under section 14 below.”
- (2) In section 24 of that Act (control of use of duty-free and rebated oil) in subsection (1) (power of Commissioners to make regulations) after the words "section 12" there shall be inserted "section 13A".

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- (3) In section 27 of that Act (interpretation) in the definition of "rebate" after the words "section 11" there shall be inserted "13A".
- (4) This section shall be deemed to have come into force at 6 o'clock in the evening of 17th March 1987.

## 2 Vehicles excise duty

- (1) The Vehicles (Excise) Act 1971 and the Vehicles (Excise) Act (Northern Ireland) 1972 shall be amended in accordance with this section.
- (2) In Schedule 4 to each of the Acts of 1971 and 1972 (annual rates of duty on goods vehicles)—
  - (a) in Part I, in sub-paragraph (2) of paragraph 6 (farmer's goods vehicle or showman's goods vehicle having a plated gross weight or a plated train weight) in paragraph (b) (weight exceeding 7.5 tonnes but not exceeding 12 tonnes) for "£155" (which applies to farmers' goods vehicles only) there shall be substituted "£175"; and
  - (b) in Part II, for Tables A(1), C(1) and D(1) (rates for farmers' goods vehicles having plated weight exceeding 12 tonnes) there shall be substituted the Tables set out in Part I of Schedule 1 to this Act.
- (3) In section 16 of the Act of 1971, in subsection (5) (annual rates of duty for trade licences), including that subsection as set out in paragraph 12 of Part I of Schedule 7 to that Act, for "£70" and "£14" there shall be substituted respectively "£85" and "£17".
- (4) In section 16 of the Act of 1972, in subsection (6) (annual rates of duty for trade licences), including that subsection as set out in paragraph 12 of Part I of Schedule 9 to that Act, for "£70" and "£14" there shall be substituted respectively "£85" and "£17".
- (5) The amendments of the Acts of 1971 and 1972 set out in Part II of Schedule 1 to this Act shall have effect for the purpose of, and in connection with, establishing recovery vehicles as a class of vehicles . chargeable with a specific duty of excise.
- (6) The Acts of 1971 and 1972 and section 102 of the Customs and Excise Management Act 1979, as it applies in relation to licences under the Act of 1971, shall have effect subject to the further amendments in Part III of Schedule 1 to this Act.
- (7) Subsection (2) above applies in relation to licences taken out after 17th March 1987; and subsections (3) to (5) above apply in relation to licences taken out after 31st December 1987.
- (8) In Part III of Schedule 1 to this Act—
  - (a) paragraphs 8 to 11 shall not affect any amount payable in respect of any day before the day on which this Act is passed,
  - (b) paragraphs 12 and 13 shall not affect any amount payable in respect of, or any part of, the calendar month in which this Act is passed or in respect of, or any part of, any previous calendar month, and
  - (c) paragraphs 20 and 21 shall not affect the penalty for an offence committed before the passing of this Act,
 but, subject to that, that Part of that Schedule shall come into force on the passing of this Act.

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### **3 Abolition of general betting duty on on-course bets**

- (1) General betting duty shall not be chargeable on any bet made on or after 29th March 1987 which is an on-course bet within the meaning of Part I of the Betting and Gaming Duties Act 1981 (in this section referred to as "the 1981 Act") and, accordingly, with respect to bets made on or after that date, section 1 of the 1981 Act (charge to, and rates of, duty) shall be amended as follows—
  - (a) in subsection (1) after the words "on any bet" there shall be inserted "which is not an on-course bet and"; and
  - (b) in subsection (2) the words from the beginning of paragraph (a) to "bet" in paragraph (b) shall be omitted.
- (2) With respect to bets made on or after 29th March 1987 but before the betting commencement date within the meaning of section 6 of the Finance Act 1986, Part III of the Miscellaneous Transferred Excise Duties Act (Northern Ireland) 1972 (in this section referred to as "the 1972 Act") (which made separate provision for Northern Ireland corresponding to that made by the 1981 Act and which ceased to have effect on the betting commencement date except in relation to bets made before that date) shall be deemed to have been amended as follows—
  - (a) in section 16(1) (charge of duty) after the words "on any bet" there shall be inserted "which is not an on-course bet and"; and
  - (b) in section 17 (rates of duty) in subsection (1) paragraph (a) and, in paragraph (b), the words from the beginning to "bet" shall be omitted.
- (3) In Schedule 1 to the 1981 Act (supplementary provisions)—
  - (a) in paragraph 1 (definitions) at the end of the definition of "general betting business" there shall be added the words "or would or might involve such sums becoming so payable if on-course bets were not excluded from that duty"; and
  - (b) in paragraph 2 (power to make regulations for administration of general betting duty) in sub-paragraph (4)(a) after the words "liable for duty" there shall be inserted "or would be or might be or become liable for duty if on-course bets were not excluded from duty".
- (4) The amendments made by subsection (3) above shall be deemed to have come into force on 29th March 1987.
- (5) During the period beginning with 29th March 1987 and ending with the betting commencement date within the meaning of section 6 of the Finance Act 1986, in Schedule 2 to the 1972 Act (supplementary provisions) the references to a business which involves, or may involve, general betting duty becoming payable by any person and the references to an activity by reason of which a person is or may be or become liable for that duty shall be deemed to have included respectively references to a business which would or might involve that duty becoming payable, and to an activity by reason of which a person would be or might be or become liable for that duty, if on -course bets were not excluded from that duty.

### **4 Gaming machine licence duty: rates**

With respect to licences for any period beginning on or after 1st June 1987, for the Tables set out in section 23(1) of the Betting and Gaming Duties Act 1981 there shall be substituted the following Tables—

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“Table A

SMALL-PRIZE MACHINES

<i>Description of machines authorised by the licence</i>	<i>Duty on whole-year licence</i>
	£
Chargeable at the lower rate	150 per machine
Chargeable at the higher rate	375 per machine

Table B

OTHER MACHINES

<i>Description of machines authorised by the licence</i>	<i>Duty on whole-year licence</i>
	£
Chargeable at the lower rate	375 per machine
Chargeable at the higher rate	960 per machine”

**5 Gaming machine licence duty: other amendments**

- (1) With respect to licences for any period beginning on or after 1st October 1987, in the Betting and Gaming Duties Act 1981 (in this section referred to as "the 1981 Act") for subsection (3) of section 21 (which specifies the periods for which licences may be granted) there shall be substituted the following subsection—

“(3) A gaming machine licence may be a whole-year, a half-year or a quarter-year licence and shall be granted for a period of twelve, six or three months beginning with the first day of any month.”

- (2) In subsection (3) of section 26 of the 1981 Act (which provides that if one or more gaming machines are made available on any premises in such a way that they can be played, any gaming machine anywhere on the premises shall be treated as provided for gaming) after the word "and" there shall be inserted "subject to subsection (3A) below".

- (3) After subsection (3) of the said section 26 there shall be inserted the following subsection—

“(3A) The Commissioners may by regulations make provision for the purpose of enabling spare gaming machines to be kept on premises for use in the case of the breakdown of other gaming machines on those premises; and such regulations may provide that, in such circumstances and subject to such conditions as may be specified in the regulations, a gaming machine on any premises which is not made available as mentioned in subsection (3) above, or is not in a state in which it can be played, shall not be treated by virtue of that subsection as provided for gaming on those premises.”

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- (4) With effect from 1st October 1987, in Schedule 4 to the 1981 Act at the beginning of paragraph 4 (months preceding and following licences for summer months) there shall be inserted the words "Subject to sub-paragraph (2) below" and at the end of that paragraph there shall be added the following sub-paragraph—
- “(2) Sub-paragraph (1) above shall not apply in relation to the provision of a machine on any premises—
- (a) during March of any year, if any person has become entitled to a repayment of duty under paragraph 11 below on the surrender of a licence in respect of those premises or any machine on those premises during the preceding February,
  - (b) during October of any year, if any person has become entitled to such a repayment on the surrender of such a licence during the preceding March, June or September.”
- (5) With respect to the surrender of licences on or after 1st October 1987, in Schedule 4 to the 1981 Act, in sub-paragraph (1) of paragraph 11 (surrender of licences) for the words from "be entitled" onwards there shall be substituted "be entitled to a repayment of duty, in respect of each complete month in the unexpired period of the licence, of an amount equal—
- (a) in the case of a whole-year licence, to one-twelfth of the duty paid on the grant of the licence, and
  - (b) in the case of a half-year licence, to one-twelfth of the duty that would have been payable on the grant of the licence if it had been a whole-year licence."

#### *Amendments of the Management Act*

### **6 Access to approved wharves and transit sheds**

- (1) At the end of section 20 of the Customs and Excise Management Act 1979 (approved wharves) there shall be added the following subsection—
- “(4) An officer may at any time enter an approved wharf and inspect it and any goods for the time being at the wharf.”
- (2) At the end of section 25 of that Act (approval of transit sheds) there shall be added the following subsection—
- “(5) An officer may at any time enter a transit shed and inspect it and any goods for the time being in the transit shed.”

### **7 Powers of search and access etc. in respect of vehicles**

- (1) In section 27 of the Customs and Excise Management Act 1979 (officers' power of boarding) in subsection (1) for the words from "a vehicle" to "any officer" there shall be substituted "a vehicle is—
- (a) entering, leaving or about to leave the United Kingdom,
  - (b) within the prescribed area,
  - (c) within the limits of or entering or leaving a port or any land adjacent to a port and occupied wholly or mainly for the purpose of activities carried on at the port,
  - (d) at, entering or leaving an aerodrome,

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- (e) at, entering or leaving an approved wharf, transit shed, customs warehouse or free zone, or
  - (f) at, entering or leaving any such premises as are mentioned in subsection (1) of section 112 below,  
any officer".
- (2) In section 28 of that Act (officers' powers of access, etc.) in subsection (1) after the words "any vehicle" there shall be inserted "which falls within paragraphs (a) to (f) of subsection (1) of section 27 above or is".

## 8 Local export control

- (1) In section 58A of the Customs and Excise Management Act 1979 (local export control) at the end of subsection (1) there shall be inserted "and, subject to and to such modifications as may be specified in the directions, this section and section 58D below shall apply in relation to goods which, for the purposes of any Community regulation relating to export refunds or monetary compensatory amounts, are treated as exports as if the supply of the goods were their exportation or, as the case may require, their shipping for exportation".
- (2) In subsection (3)(b) of that section (conditions for the application of local export control) after the word "shipped" there shall be inserted "for exportation or exported by land".
- (3) After subsection (7) of that section (power of Commissioners to relax requirements) there shall be inserted—
- “(7A) Without prejudice to the powers of the Commissioners under subsection (7) above, they may direct that, in relation to goods of a description specified in the directions which are shipped for exportation or exported by land by an exporter of a description so specified, paragraph (a) of subsection (3) above shall have effect as if—
- (a) in sub-paragraph (i) the words "time and" were omitted; and
  - (b) for sub-paragraph (ii) there were substituted—
    - “(ii) at the time that notice is delivered or immediately thereafter, the exporter enters such particulars of the goods and of such other matters as may be required by the directions in a record maintained by him at such place as the proper officer may require; and
    - (iii) the proper officer informs the exporter that he consents to the removal of the goods; and”.”
- (4) In section 58D of that Act (operative date for Community purposes) in subsection (2) (b) for the words following "above" there shall be substituted "as set out in section 58 A(7 A)(b) above, the day entry is made".

## 9 Records relating to importation and exportation

After section 75 of the Customs and Excise Management Act 1979 there shall be inserted the following—

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*“Keeping and preservation of records*

**75A Records relating to importation and exportation.**

- (1) Every person who is concerned (in whatever capacity) in the importation or exportation of goods of which an entry or specification is required for that purpose by or under this Act shall keep such records as the Commissioners "may require.
- (2) The Commissioners may require any records kept in pursuance of this section to be preserved for such period not exceeding four years as they may require.
- (3) The duty under this section to preserve records may be discharged by the preservation of the information contained therein by such means as the Commissioners may approve; and where that information is so preserved a copy of any document forming part of the records shall, subject to the following provisions of this section, be admissible in evidence in any proceedings, whether civil or criminal, to the same extent as the records themselves.
- (4) The Commissioners may, as a condition of an approval under subsection (3) above of any means of preserving information, impose such reasonable requirements as appear to them necessary for securing that the information will be as readily available to them as if the records themselves had been preserved.
- (5) The Commissioners may at any time for reasonable cause revoke or vary the conditions of any approval given under subsection (3) above.
- (6) A statement contained in a document produced by a computer shall not by virtue of subsection (3) above be admissible in evidence—
  - (a) in civil proceedings in England and Wales, except in accordance with sections 5 and 6 of the Civil Evidence Act 1968;
  - (b) in criminal proceedings in England and Wales, except in accordance with sections 68 to 70 of the Police and Criminal Evidence Act 1984;
  - (c) in civil proceedings in Northern Ireland, except in accordance with sections 2 and 3 of the Civil Evidence Act (Northern Ireland) 1971; and
  - (d) in criminal proceedings in Northern Ireland, except in accordance with the said sections 2 and 3, which shall, for the purposes of this section, apply with the necessary modifications to such proceedings.”

**10 Information powers**

In section 77 of the Customs and Excise Management Act 1979 (information in relation to goods imported, exported or shipped for carriage coastwise) in subsection (1)(a) the words "importation, exportation or" shall be omitted, and after that section there shall be inserted the following section—

**“77A Information powers.**

- (1) Every person who is concerned (in whatever capacity) in the importation or exportation of goods for which an entry or specification is required for that purpose by or under this Act shall—

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- (a) furnish to the Commissioners, within such time and in such "form as they may reasonably require, such information relating to the goods or to the importation or exportation as the Commissioners may reasonably specify; and
  - (b) if so required by an officer, produce or cause to be produced for inspection by the officer—
    - (i) at the principal place of business of the person upon whom the demand is made or at such other place as the officer may reasonably require, and
    - (ii) at such time as the officer may reasonably require,
 any documents relating to the goods or to the importation or exportation.
- (2) Where, by virtue of subsection (1) above, an officer has power to require the production of any documents from any such person as is referred to in that subsection, he shall have the like power to require production of the documents concerned from any other person who appears to the officer to be in possession of them; but where any such other person claims a lien on any document produced by him, the production shall be without prejudice to the lien.
- (3) An officer may take copies of, or make extracts from, any document produced under subsection (1) or subsection (2) above.
- (4) If it appears to him to be necessary to do so, an officer may, at a reasonable time and for a reasonable period, remove any document produced under subsection (1) or subsection (2) above and shall, on request, provide a receipt for any document so removed; and where a lien is claimed on a document produced under subsection (2) above, the removal of the document under this subsection shall not be regarded as breaking the lien.
- (5) Where a document removed by an officer under subsection (4) above is reasonably required for the proper conduct of a business, the officer shall, as soon as practicable, provide a copy of the document, free of charge, to the person by whom it was produced or caused to be produced.
- (6) Where any documents removed under the powers conferred by this section are lost or damaged, the Commissioners shall be liable to compensate their owner for any expenses reasonably incurred by him in replacing or repairing the documents.
- (7) If any person fails to comply with a requirement under this section, he shall be liable on summary conviction to a penalty of level 3 on the standard scale.”

## CHAPTER II

### VALUE ADDED TAX

#### **11 Accounting for and payment of tax**

- (1) At the end of section 14(1) of the principal Act (which provides for tax to be accounted for and paid in accordance with regulations) there shall be added the words ", and regulations may make different provision for different circumstances".



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- (2) In Schedule 7 to that Act (administration, collection and enforcement) after subparagraph (3) of paragraph 2 there shall be inserted—

“(3A) Regulations under this paragraph may make provision whereby, in such cases and subject to such conditions as may be determined by or under the regulations, tax in respect of a supply may be accounted for and paid by reference to the time when consideration for the supply is received; and any such regulations may make such modifications of the provisions of this Act (including in particular, but without prejudice to the generality of the power, the provisions as to the time when, and the circumstances in which, credit for input tax is to be allowed) as appear to the Commissioners necessary or expedient.”.

## 12 Credit for input tax

- (1) In section 15 of the principal Act, for subsections (1) to (3) there shall be substituted—

“(1) The amount of input tax for which a taxable person is entitled to credit at the end of any period shall be so much of the input tax for the period (that is input tax on supplies and importations in the period) as is allowable by or under regulations as being attributable to supplies within subsection (2) below.

(2) The supplies within this subsection are the following supplies made or to be made by the taxable person in the course or furtherance of his business—

- (a) taxable supplies;
- (b) supplies outside the United Kingdom which would be taxable supplies if made in the United Kingdom;
- (c) supplies which section 35 below provides are to be disregarded for the purposes of this Act and which would otherwise be taxable supplies.

(3) The Commissioners shall make regulations for securing a fair and reasonable attribution of input tax to supplies within subsection (2) above, and any such regulations may provide for—

- (a) determining a proportion by reference to which input tax for any prescribed accounting period is to be provisionally attributed to those supplies;
- (b) adjusting, in accordance with a proportion determined in like manner for any longer period comprising two or more prescribed accounting periods or parts thereof, the provisional attribution for any of those periods; and
- (c) the making of payments in respect of input tax, by the Commissioners to a taxable person (or a person who has been a taxable person) or by a taxable person (or a person who has been a taxable person) to the Commissioners, in cases where events prove inaccurate an estimate on the basis of which an attribution was made.”.

- (2) In section 6(1) of that Act, for the words "the charge to tax" there shall be substituted the words "this Act".

- (3) In section 35(1) and (2) of that Act, for the words "shall be disregarded" there shall be substituted the words "shall, except where the contrary intention appears, be disregarded".

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- (4) This section shall have effect in relation to supplies and importations made on or after 1st April 1987, and shall be deemed to have come into force on 23rd March 1987.

### **13 Supplies abroad etc.**

- (1) The principal Act shall be amended as follows.
- (2) In section 2(5), at the end there shall be added the words ", and a person who is registered under paragraph 11A of that Schedule is a taxable person (notwithstanding that he does not make and does not intend to make taxable supplies)".
- (3) In section 48(1), for the definition of "taxable person" there shall be substituted—  
 “‘taxable person’ means a person who is a taxable person under section 2(2) or (5) above;”.
- (4) In Schedule 1, after paragraph 11 there shall be inserted—
- “11A (1) Where a person satisfies the Commissioners that he is within sub-paragraph (2) below, they may, if he so requests and they think fit, register him from such date and subject to such conditions as they think fit.
- (2) A person is within this sub-paragraph if—
- (a) he has a business establishment in the United Kingdom or his usual place of residence is in the United Kingdom;
- (b) he does not make and does not intend to make taxable supplies; and
- (c) he makes or intends to make in the course or furtherance of his business supplies within sub-paragraph (3) below.
- (3) A supply is within this sub-paragraph if—
- (a) it is made outside the United Kingdom but it would be a taxable supply if made in the United Kingdom; or
- (b) section 35 of this Act provides that it is to be disregarded for the purposes of this Act, and it would otherwise be a taxable supply.
- (4) The Commissioners may at any time, if they think fit, cancel as from that time the registration of a person who is not liable to be registered and whose registration was effected under this paragraph.
- (5) A registered person whose registration was effected under this paragraph shall, if he makes or forms the intention of making taxable supplies, notify the Commissioners within thirty days that he has done so or formed the intention of doing so.
- (6) Conditions under sub-paragraph (1) above—
- (a) may be imposed wholly or partly by reference to, or without reference to, any conditions prescribed for the purposes of this paragraph; and
- (b) may (whenever imposed) be subsequently varied by the Commissioners.
- (7) Where the Commissioners refuse to act on a request made by a person under sub-paragraph (1) above, or where they cancel a person's

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registration under sub-paragraph (4) above, they shall give him written notice of their decision and of the grounds on which it was made.

- (8) For the purposes of this paragraph—
- (a) a person carrying on a business through a branch or agency in the United Kingdom shall be treated as having a business establishment in the United Kingdom; and
  - (b) 'usual place of residence', in relation to a body corporate, means the place where it is legally constituted.”.

(5) In Schedule 5, item 2 of and Note (1) to Group 15 shall cease to have effect.

## 14 Registration

(1) Schedule 1 to the principal Act shall be amended as follows.

(2) For paragraph 1 there shall be substituted—

- “1 (1) Subject to sub-paragraphs (2) to (5) below, a person who makes taxable supplies but is not registered is liable to be registered—
- (a) after the end of any quarter, if the value of his taxable supplies—
    - (i) in that quarter has exceeded £7,250; or
    - (ii) in the four quarters then ending has exceeded £21,300; or
  - (b) at any time, if there are reasonable grounds for believing that the value of his taxable supplies in the period of one year then beginning will exceed £21,300.
- (2) A person is not liable to be registered by virtue of sub-paragraph (1)(a)(i) above after the end of any quarter if the Commissioners are satisfied that the value of his taxable supplies in that quarter and the next three quarters will not exceed £21,300.
- (3) A person is not liable to be registered by virtue of sub-paragraph (1)(a)(ii) above after the end of any quarter if the Commissioners are satisfied that the value of his taxable supplies in the next four quarters will not exceed £20,300.
- (4) In determining the value of a person's supplies for the purposes of sub-paragraph (1)(a) above, supplies made at a time when he was previously registered shall be disregarded if—
- (a) his registration was cancelled otherwise than under paragraph 10 below, and
  - (b) the Commissioners are satisfied that before his registration was cancelled he had given them all the information they needed in order to determine whether to cancel the registration.
- (5) In determining the value of a person's supplies for the purposes of sub-paragraph (1) above, supplies of goods that are capital assets of the business in the course or furtherance of which they are supplied shall be disregarded.”.

(3) For paragraph 2 there shall be substituted—

- “2 (1) Subject to sub-paragraph (2) below, a registered person who makes taxable supplies shall cease to be liable to be registered at any time if the

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Commissioners are satisfied that the value of his taxable supplies in the period of one year then beginning will not exceed £20,300.

(2) A person shall not cease to be liable to be registered by virtue of sub-paragraph (1) above if the Commissioners are satisfied that the reason the value of his taxable supplies will not exceed £20,300 is that in the period in question he will cease making taxable supplies, or will suspend making them for a period of thirty days or more.

(3) In determining the value of a person's supplies for the purposes of sub-paragraph (1) above, supplies of goods that are capital assets of the business in the course or furtherance of which they are supplied shall be disregarded.”.

(4) For paragraph 3 there shall be substituted—

“3 (1) A person who by virtue of paragraph 1(1)(a) above is liable to be registered after the end of any quarter shall notify the Commissioners of that liability within thirty days of the end of that quarter.

(2) The Commissioners shall register any such person (whether or not he so notifies them) with effect from the end of the month in which the thirtieth day falls or from such earlier date as may be agreed between them and him.”.

(5) For paragraph 4 there shall be substituted—

“4 (1) A person who by virtue of paragraph 1(1)(b) above is liable to be registered by reason of the value of his taxable' supplies in any period shall notify the Commissioners of that liability within thirty days of the beginning of that period.

(2) Subject to sub-paragraph (3) below, the Commissioners shall register any such person (whether or not he so notifies them) with effect from the end of the thirty days or from such earlier date as may be agreed between them and him.

(3) Where there are reasonable grounds for believing that the value of such a person's taxable supplies in the first thirty days of the period will exceed £21,300, the Commissioners may, if they think fit, register him with effect from the beginning of the period.”.

(6) Paragraph 6 shall cease to have effect.

(7) For paragraph 7 there shall be substituted—

“7 (1) A registered person who ceases to make taxable supplies shall notify the Commissioners of that fact within thirty days of the day on which he does so.

(2) Subject to sub-paragraph (3) below, the Commissioners shall cancel the registration of a registered person who ceases to make taxable supplies with effect from the day on which he so ceases or from such later date as may be agreed between them and him.

(3) The Commissioners shall not be under a duty to cancel the registration of such a person (although they may cancel it if they think fit) if they are

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satisfied that he is (on ceasing to make taxable supplies) within paragraph 11 A(2) below.”.

(8) In paragraph 9, for the words "paragraph 2(b)" there shall be substituted the words "paragraph 2".

(9) In paragraph 11, for sub-paragraph (2) there shall be substituted—

“(2) Where there is a material change in the nature of the supplies made by a person exempted from registration under sub-paragraph (1)(a) above he shall notify the Commissioners of the change—

- (a) within thirty days of the day on which it occurred; or
- (b) if no particular day is identifiable as the day on which it occurred, within thirty days of the end of the quarter in which it occurred.

(2AA) Where there is a material alteration in any quarter in the proportion of taxable supplies of such a person that are zero-rated, he shall notify the Commissioners of the alteration within thirty days of the end of the quarter.”.

(10) For paragraph 13 there shall be substituted—

“13 The value of a supply of goods or services shall be determined for the purposes of this Schedule on the basis that no tax is chargeable on the supply.”.

## 15 Supplies to groups

(1) In the principal Act, after section 29 there shall be inserted—

### “29A Supplies to groups.

(1) Subject to subsections (2) and (3) below, subsection (4) below applies where—

- (a) a business, or part of a business, carried on by a taxable person is transferred as a going concern to a body corporate treated as a member of a group under section 29 above;
- (b) on the transfer of the business or part, chargeable assets of the business are transferred to the body corporate; and
- (c) the transfer of the assets is treated by virtue of section 3(3)(c) above as neither a supply of goods nor a supply of services.

(2) Subsection (4) below shall not apply if the representative member of the group is entitled to credit for the whole of the input tax on supplies to it and importations by it—

- (a) during the prescribed accounting period in which the assets are transferred, and
- (b) during any longer period to which regulations under section 15(3)(b) above relate and in which the assets are transferred.

(3) Subsection (4) below shall not apply if the Commissioners are satisfied that the assets were acquired by the taxable person transferring them more than three years before the day on which they are transferred.

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- (4) The chargeable assets shall be treated for the purposes of this Act as being, on the day on which they are transferred, both supplied to the representative member of the group for the purpose of its business and supplied by that member in the course or furtherance of its business.
  - (5) A supply treated under subsection (4) above as made by a representative member shall not be taken into account as a supply made by him when determining the allowance of input tax in his case under section 15 above.
  - (6) The value of a supply treated under subsection (4) above as made to or by a representative member shall be taken to be the open market value of the chargeable assets.
  - (7) For the purposes of this section, the open market value of any chargeable assets shall be taken to be the price that would be paid on a sale (on which no tax is payable) between a buyer and a seller who are not in such a relationship as to affect the price.
  - (8) The Commissioners may reduce the tax chargeable by virtue of subsection (4) above in a case where they are satisfied that the person by whom the chargeable assets are transferred has not received credit for the full amount of input tax arising on the acquisition by him of the chargeable assets.
  - (9) For the purposes of this section, assets are chargeable assets if their supply in the United Kingdom by a taxable person in the course or furtherance of his business would be a taxable supply (and not a zero-rated supply).”
- (2) This section shall have effect in relation to transfers of assets made on or after 1st April 1987, and shall be deemed to have come into force on 23rd March 1987.

## 16 **Tour operators**

- (1) After section 37 of the principal Act there shall be added—

### “37A **Tour operators.**

- (1) The Treasury may by order modify the application of this Act in relation to supplies of goods or services by tour operators or in relation to such of those supplies as may be determined by or under the order.
- (2) Without prejudice to the generality of subsection (1) above, an order under this section may make provision—
  - (a) for two or more supplies of goods or services by a tour operator to be treated as a single supply of services;
  - (b) for the value of that supply to be ascertained, in such manner as may be determined by or under the order, by reference to the difference between sums paid or payable to and sums paid or payable by the tour operator;
  - (c) for account to be taken, in determining the tax chargeable on that supply, of the different rates of tax that would have been applicable apart from this section;
  - (d) excluding any body corporate from the application of section 29 above;

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- (e) as to the time when a supply is to be treated as taking place.
- (3) In this section 'tour operator' includes a travel agent acting as principal and any other person providing for the benefit of travellers services of any kind commonly provided by tour operators or travel agents.
- (4) Section 45(3) below shall not apply to an order under this section, notwithstanding that it makes provision for excluding any tax from credit under section 14 above.”.
- (2) In section 45 of that Act, at the beginning of subsection (4) there shall be inserted the words "Subject to section 37A(4) above".

### **17 Valuation of supplies at less than market value**

- (1) In Schedule 4 to the principal Act, at the beginning of paragraph 1(1)(c) there shall be inserted the words "if the supply is a taxable supply,".
- (2) This section shall have effect in relation to supplies made on or after 1st April 1987, and shall be deemed to have come into force on 23rd March 1987.

### **18 Issue of securities**

- (1) In Schedule 6 to the principal Act (exemptions), in Group 5 (finance)—
  - (a) at the end of item 5 there shall be added the words "or the underwriting of an issue within item 1"; and
  - (b) after item 6 there shall be inserted the following item—
    - “6A The making of arrangements for, or the underwriting of, an issue within item 6.”.
- (2) This section shall have effect in relation to supplies made on or after 1st April 1987, and shall be deemed to have come into force on 23rd March 1987.

### **19 Interpretation and miscellaneous further amendments**

- (1) In this Chapter "the principal Act" means the Value Added Tax Act 1983.
- (2) The principal Act shall have effect subject to the further amendments in Schedule 2 to this Act; and the amendment in that Schedule of section 7 of the principal Act shall have effect with respect to services supplied on or after 1st April 1987.