

## STATUTORY INSTRUMENTS

# 1995 No. 2518

## The Value Added Tax Regulations 1995

### PART VIII

#### CASH ACCOUNTING

##### Interpretation of Part VIII

**56.** In this Part—

“money” means banknotes or coins;

“notice” means any notice published pursuant to this Part.

##### Commencement Information

**I1** Reg. 56 in force at 20.10.1995, see [reg. 1](#)

##### Cash accounting scheme

**57.** A taxable person may, subject to this Part and to such conditions as are described in a notice published by the Commissioners, account for VAT in accordance with a scheme (hereinafter referred to in this Part as “the scheme”) by which the operative dates for VAT accounting purposes shall be—

- (a) for output tax, the day on which payment or other consideration is received or the date of any cheque, if later; and
- (b) for input tax, the date on which payment is made or other consideration is given, or the date of any cheque, if later.

##### Commencement Information

**I2** Reg. 57 in force at 20.10.1995, see [reg. 1](#)

[<sup>F1</sup>**57A.**—(1) A person shall not account for VAT in accordance with the scheme in respect of any relevant supplies or relevant purchases of his.

(2) In this regulation, “relevant supplies” and “relevant purchases” have the same meanings as in Part VIIA (flat-rate scheme for small businesses).]

##### Textual Amendments

**F1** [Reg. 57A](#) inserted (25.4.2002) by [The Value Added Tax \(Amendment\) \(No. 2\) Regulations 2002 \(S.I. 2002/1142\)](#), regs. 1(2), **8**

### Admission to the scheme

**[<sup>F2</sup>58.**—(1) Without prejudice to paragraph (4) below, a taxable person shall be eligible to begin to operate the scheme from the beginning of any prescribed accounting period if—

- (a) he has reasonable grounds for believing that the value of taxable supplies to be made by him in the period of one year then beginning will not exceed [<sup>F3</sup>£1,350,000],
- (b) he has made all returns which he is required to make, and has—
  - (i) paid to the Commissioners all such sums shown as due on those returns and on any assessments made either under section 76 of, or Schedule 11 to, the Act, or
  - (ii) agreed an arrangement with the Commissioners for any outstanding amount of such sums as are referred to in sub-paragraph (i) above to be paid in instalments over a specific period, and
- (c) he has not in the period of one year preceding that time—
  - (i) been convicted of any offence in connection with VAT,
  - (ii) made any payment to compound proceedings in respect of VAT under section 152 of the Customs and Excise Management Act 1979,
  - (iii) been assessed to a penalty under section 60 of the Act, or
  - (iv) by virtue of regulation 64(1), ceased to be entitled to continue to operate the scheme.

(2) The scheme shall not apply to—

- (a) lease purchase agreements;
- (b) hire purchase agreements;
- (c) conditional sale agreements;
- (d) credit sale agreements;
- (e) supplies where a VAT invoice is issued and full payment of the amount shown on the invoice is not due for a period in excess of 6 months from the date of the issue of the invoice; <sup>F4</sup> ...
- (f) supplies of goods or services in respect of which a VAT invoice is issued in advance of the delivery or making available of the goods or the performance of the services as the case may be [<sup>F5</sup>; or
- (g) supplies of goods [<sup>F6</sup>or services] in respect of which it is for the recipient, on the supplier's behalf, to account for and pay the VAT.]

(3) Sub-paragraph (2) (f) above shall not apply where goods have been delivered or made available in part or where services have been performed in part and the VAT invoice in question relates solely to that part of the goods which have been delivered or made available or that part of the services which have been performed.

(4) A person shall not be entitled to begin to operate the scheme if the Commissioners consider it is necessary for the protection of the revenue that he shall not be so entitled.]

**59.** Without prejudice to the right of a person to withdraw from the scheme, the Commissioners may vary the terms of the scheme by publishing a fresh notice [<sup>F7</sup>or publishing a notice which amends an existing notice].

**[<sup>F8</sup>60.**—(1) Without prejudice to regulation 64 below, a person shall withdraw from the scheme immediately at the end of a prescribed accounting period of his if the value of taxable supplies made by him in the period of one year ending at the end of the prescribed accounting period in question has exceeded [<sup>F9</sup>£1,600,000].

(2) Subject to regulations 61 to 63 below a person may withdraw from the scheme at the end of any prescribed accounting period.

(3) The requirement in paragraph (1) above shall not apply where the Commissioners allow or direct otherwise.]

**[<sup>F10</sup>61.**—(1) Subject to paragraph (2), a person who ceases to operate the scheme, either of his own volition or because the value of taxable supplies made by him exceeds the level provided for in regulation 60(1), must—

- (a) settle up, or
- (b) apply transitional arrangements.

(2) Where the value of taxable supplies made by a person in the period of three months ending at the end of the prescribed accounting period in which he ceased to operate the scheme has exceeded [<sup>F11</sup>£1,350,000], he may not apply transitional arrangements.

(3) In paragraph (1)(a), “settle up” means account for and pay on a return made for the prescribed accounting period in which he ceased to operate the scheme—

- (a) all VAT that he would have been required to pay to the Commissioners during the time when he operated the scheme, if he had not then been operating the scheme, minus
- (b) all VAT accounted for and paid to the Commissioners in accordance with the scheme, subject to any adjustment for credit for input tax.

(4) In paragraph (1)(b), “apply transitional arrangements” means continue to operate the scheme in respect of his scheme supplies for 6 months after the end of the prescribed accounting period in which he ceased to operate the scheme.

(5) In paragraph (4), “scheme supplies” means supplies made and received while he operated the scheme that are not excluded from the scheme by virtue of regulation 57A or 58 or conditions described in a notice.

(6) Where a person chooses to apply transitional arrangements, he shall account for and pay on a return made for the first prescribed accounting period that ends 6 months or more after the end of the prescribed accounting period in which he ceased to operate the scheme—

- (a) all VAT that he would have been required to pay to the Commissioners during the time when he operated the scheme, if he had not then been operating the scheme, minus
- (b) all VAT accounted for and paid to the Commissioners in accordance with the scheme (including any VAT accounted for and paid because he applied transitional arrangements), subject to any adjustment for credit for input tax.]

**[<sup>F12</sup>62.** Where a person operating the scheme becomes insolvent he shall within 2 months of the date of insolvency account for VAT due on all supplies made and received up to the date of insolvency which has not otherwise been accounted for, subject to any credit for input tax.]

**63. —**

**[<sup>F13</sup>(1)** Where a person operating the scheme ceases business or ceases to be registered he shall within 2 months or such longer period as the Commissioners may allow, make a return accounting for, and pay, VAT due on all supplies made and received up to the date of cessation which has not otherwise been accounted for, subject to any adjustment for credit for input tax.]

**[<sup>F14</sup>(2)** Where a business or part of a business carried on by a person operating the scheme is transferred as a going concern and regulation 6(1) does not apply, the transferor shall within 2 months or such longer period as the Commissioners may allow, make a return accounting for, and pay, VAT due on all supplies made and received which has not otherwise been accounted for, subject to credit for input tax.]

(3) Where a business carried on by a person operating the scheme is transferred in circumstances where regulation [F156(1)] applies, the transferee shall continue to account for and pay VAT as if he were a person operating the scheme on supplies made and received by the transferor prior to the date of transfer.

#### Textual Amendments

- F2** Reg. 58 substituted (3.7.1997) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 1997 \(S.I. 1997/1614\)](#), regs. 1, **3**
- F3** Sum in reg. 58(1)(a) substituted (1.4.2007) by [The Value Added Tax \(Amendment\) \(No.2\) Regulations 2007 \(S.I. 2007/768\)](#), regs. 1, **3**
- F4** Word in reg. 58(2)(e) omitted (1.6.2007) by virtue of [The Value Added Tax \(Amendment\) \(No.3\) Regulations 2007 \(S.I. 2007/1418\)](#), regs. 1, **6**
- F5** Reg. 58(2)(g) and word inserted (1.6.2007) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 2007 \(S.I. 2007/1418\)](#), regs. 1, **6**
- F6** Words in reg. 58(2)(g) inserted (1.11.2010) by [The Value Added Tax \(Amendment\) \(No. 2\) Regulations 2010 \(S.I. 2010/2240\)](#), regs. 1, **3(3)**
- F7** Words in reg. 59 inserted (3.7.1997) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 1997 \(S.I. 1997/1614\)](#), regs. 1, **4**
- F8** Reg. 60 substituted (3.7.1997) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 1997 \(S.I. 1997/1614\)](#), regs. 1, **5**
- F9** Sum in reg. 60(1) substituted (1.4.2007) by [The Value Added Tax \(Amendment\) \(No.2\) Regulations 2007 \(S.I. 2007/768\)](#), regs. 1, **4**
- F10** Reg. 61 substituted (1.4.2004) by [The Value Added Tax \(Amendment\) Regulations 2004 \(S.I. 2004/767\)](#), regs. 1, **9**
- F11** Sum in reg. 61(2) substituted (1.4.2007) by [The Value Added Tax \(Amendment\) \(No.2\) Regulations 2007 \(S.I. 2007/768\)](#), regs. 1, **5**
- F12** Reg. 62 substituted (3.7.1997) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 1997 \(S.I. 1997/1614\)](#), regs. 1, **7**
- F13** Reg. 63(1) substituted (3.7.1997) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 1997 \(S.I. 1997/1614\)](#), regs. 1, **8(a)**
- F14** Reg. 63(2) substituted (3.7.1997) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 1997 \(S.I. 1997/1614\)](#), regs. 1, **8(b)**
- F15** Word in reg. 63(3) substituted (3.7.1997) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 1997 \(S.I. 1997/1614\)](#), regs. 1, **8(c)**

#### Commencement Information

- I3** Reg. 59 in force at 20.10.1995, see [reg. 1](#)
- I4** Reg. 63 in force at 20.10.1995, see [reg. 1](#)

#### Withdrawal from the scheme

- [F1664.—(1) A person shall not be entitled to continue to operate the scheme where—
- (a) he has, while operating the scheme, been convicted of an offence in connection with VAT or has made a payment to compound such proceedings under section 152 of the Customs and Excise Management Act 1979,
  - (b) he has while operating the scheme been assessed to a penalty under section 60 of the Act,
  - (c) he has failed to leave the scheme as required by regulation 60(1) above, or
  - (d) the Commissioners consider it necessary for the protection of the revenue that he shall not be so entitled.

(2) A person who, by virtue of paragraph (1) above, ceases to be entitled to continue to operate the scheme shall account for and pay on a return made for the prescribed accounting period in which he ceased to be so entitled—

- (a) all VAT which he would have been required to pay to the Commissioners during the time when he operated the scheme, if he had not then been operating the scheme, less
- (b) all VAT accounted for and paid to the Commissioners in accordance with the scheme, subject to any adjustment for credit for input tax.]

#### Textual Amendments

**F16** Reg. 64 substituted (3.7.1997) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 1997 \(S.I. 1997/1614\)](#), regs. 1, **9**

#### [<sup>F17</sup>Bad debt relief

**64A.** Where a person accounts for and pays VAT in relation to a supply in accordance with regulation 61(3) or (6) or 64(2), he shall be treated for the purposes of section 36(1)(a) of the Act as having accounted for and paid VAT on the supply in the prescribed accounting period in which he ceased to operate the scheme.]

#### Textual Amendments

**F17** Reg. 64A inserted (1.4.2004) by [The Value Added Tax \(Amendment\) Regulations 2004 \(S.I. 2004/767\)](#), regs. 1, **10**

#### Accounting

**65.** —

(1) Except in the circumstances set out in regulations 61 to 63, VAT shall be accounted for and paid to the Commissioners by the due date prescribed for the accounting period in which payment or other consideration for the supply is received.

(2) Input tax may be credited either in the prescribed accounting period in which payment or consideration for a supply is given, or in such later period as may be agreed with the Commissioners.

(3) A person operating the scheme shall obtain and keep for a period of 6 years, or such lesser period as the Commissioners may allow, a receipted and dated VAT invoice from any taxable person to whom he has made a payment in money in respect of a taxable supply, and in such circumstances a taxable person must on request provide such a receipted and dated VAT invoice.

(4) A person operating the scheme shall keep for a period of 6 years, or such lesser period as the Commissioners may allow, a copy of any receipt which he gives under paragraph (3) above.

#### Commencement Information

**I5** Reg. 65 in force at 20.10.1995, see [reg. 1](#)

**Changes to legislation:**

There are currently no known outstanding effects for the The Value Added Tax Regulations 1995, PART VIII.