STATUTORY INSTRUMENTS

2017 No. 295

VALUE ADDED TAX

The Value Added Tax (Amendment) Regulations 2017

Made - - - -	*7th March 2017*
Laid before the House of Commons - - - -	*8th March 2017*
Coming into force - -	*1st April 2017*

The Commissioners for Her Majesty's Revenue and Customs make the following Regulations in exercise of the powers conferred by section 26B of the Value Added Tax Act 1994(**1**):

Citation, commencement and effect

1.—(1) These Regulations may be cited as the Value Added Tax (Amendment) Regulations 2017 and come into force on 1st April 2017.

(2) The changes made by these Regulations have effect in relation to—

(a) prescribed accounting periods commencing on or after 1st April 2017; and

(b) the remaining portion of any prescribed accounting period which does not commence on but includes 1st April 2017, where "remaining portion" means that part of the prescribed accounting period which starts on 1st April 2017 and ends on the last day of the prescribed accounting period.

(3) Where paragraph (2)(b) applies, the changes made by these Regulations shall, for the purpose of determining the appropriate percentage applicable to the relevant turnover falling within the remaining portion of the prescribed accounting period, be applied as if the remaining portion were a separate prescribed accounting period.

Amendment of the Value Added Tax Regulations 1995

2. Part 7A of the Value Added Tax Regulations 1995(**2**) (flat-rate scheme for small businesses) is amended as follows.

(**1**) 1994 c.23 ("the Act"). Section 26B of the Act was inserted by section 23(1) of the Finance Act 2002 (c.23). Section 96(1) of the Act defines "the Commissioners" as meaning "the Commissioners of Customs and Excise" and "regulations" as meaning regulations made by the Commissioners under the Act. The functions of the Commissioners of Customs and Excise were transferred to the Commissioners for Her Majesty's Revenue and Customs by section 5(1) of the Commissioners for Revenue and Customs Act 2005 (c.11), section 50(1) of which provides that a reference to the Commissioners of Customs and Excise shall be taken as a reference to the Commissioners for Her Majesty's Revenue and Customs.

(**2**) S.I. 1995/2518. Part 7A was inserted by S.I. 2002/1142 and that Part was further amended by S.I. 2003/1069, S.I. 2003/3220, S.I. 2004/767, S.I. 2007/1418, S.I. 2009/586, S.I. 2010/2240 and S.I. 2010/2940.

3. In regulation 55A, after paragraph (3) insert—

"(4) For the purposes of this Part, "limited-cost trader" is a flat-rate trader whose expenditure on relevant goods in any prescribed accounting period, together with any VAT chargeable on that expenditure, is less than the specified amount, and—

(a) "relevant goods" are goods used or to be used by a flat-rate trader exclusively for the purposes of the trader's business but excluding the following—

(i) vehicles, vehicle parts and fuel except where the category of business applicable to the flat-rate trader in the Table is, in that prescribed accounting period, "Transport or storage, including couriers, freight, removals and taxis" and the flat-rate trader owns or leases a vehicle for that business;

(ii) food or beverages for consumption by the flat-rate trader or employees of the flat-rate trader;

(iii) capital expenditure goods;

(iv) goods for the purpose of resale, leasing, letting or hiring out except where the main business activity of the flat-rate trader ordinarily consists of selling, leasing, letting or hiring out such goods;

(v) goods for disposal as promotional items, gifts or donations;

(b) "specified amount" is the higher of—

(i) 2 per cent of the trader's relevant turnover in the prescribed accounting period; and

(ii) where the prescribed accounting period is one year, £1000, and, in any other case, such proportion of £1000 as the length of the accounting period bears to the period of one year.".

4. In regulation 55D, for "55H and 55JB" substitute "55H, 55JB and 55KA".

5. In regulation 55H—

(a) at the beginning of paragraph (1), for "The appropriate percentage" substitute "Subject to regulation 55KA, the appropriate percentage";

(b) in paragraph (2)—

(i) in sub-paragraph (a)—

(aa) for "beginning with a relevant date" substitute "not falling within (b)";

(bb) for "at the relevant date" substitute "on the first day of the period";

(ii) omit sub-paragraph (c).

6. In regulation 55JB, at the beginning of paragraph (3), for "At any relevant date" substitute "Subject to regulation 55KA, at any relevant date".

7. After regulation 55K insert—

"**Appropriate percentage for limited-cost traders**

55KA.—(1) This regulation applies for determining the appropriate percentage to be applied for a prescribed accounting period in which a flat-rate trader is a limited-cost trader.

(2) Where this regulation applies, the appropriate percentage is that specified in the Table for the category of business carried on by the trader in that prescribed accounting period but the number in the right-hand column is to be read as "16.5".

(3) Except that, where regulation 55JB also applies, the number in the right-hand column is to be read as "15.5".".