

**2017 No. 0000**

**VALUE ADDED TAX**

**The Value Added Tax (Amendment) Regulations 2017**

*Made* - - - - \*\*\*

*Laid before the House of Commons* \*\*\*

*Coming into force* - - \*\*\*

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(a):

**Citation and commencement**

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

**Amendment of the Value Added Tax Regulations 1995**

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

3. After paragraph (3) of regulation 55A 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, where—

- (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 “Transport or storage, including couriers, freight, removals and taxis” and the flat-rate trader owns a vehicle for business use or holds a vehicle for business use under a lease;
  - (ii) any food or beverages for consumption by the flat-rate trader or employees of the flat-rate trader;
  - (iii) capital expenditure goods;

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(a) 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.

(b) S.I. 1995/2518. Part 7A was inserted by the VAT (Amendment) (No 2) Regulations 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, S.I. 2010/2940.

- (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, after “55H” insert “,55HA”.

5. In paragraph (1) of regulation 55H, before “55JB”, insert “55HA,”.

6. In paragraph (2) of regulation 55H—

- (a) for “For any prescribed accounting period—” substitute “Subject to regulations 55HA and 55JB, for any prescribed accounting period—”;
- (b) in sub-paragraph (c), for “applicable to his relevant turnover at the end of the previous prescribed accounting period” substitute “which was last determined in accordance with (a) or (b) except where regulation 55HA applies”.

7. After regulation 55H insert—

**“55HA Appropriate percentage for limited-cost traders**

(1) Subject to regulation 55JB, for any prescribed accounting period in which a flat-rate trader is a limited-cost trader, the Table shall be read as if each percentage specified in the right-hand column were replaced with “16.5”.

(2) Except that, where [commencement date] is a day other than the first day of a prescribed accounting period, paragraph (1) shall, for that prescribed accounting period, apply only to the remaining part of the period starting with [commencement date] and ending on the last day of the prescribed accounting period and the appropriate percentage applicable to the remaining part of the period shall be determined accordingly.”.

8. In regulation 55JB—

- (a) in paragraph (3), after “the Table shall” insert “, unless paragraph (5) applies,”;
- (b) after paragraph (4) insert—

“(5) In any prescribed accounting period in which a flat-rate trader is a limited-cost trader and this regulation applies, the Table shall be read as if each percentage specified in the right-hand column were replaced with “15.5”.”

9. In regulation 55N—

- (a) in paragraph (1) for “Where—” substitute “Subject to paragraph (1A), where—”;
- (b) after paragraph (1) insert—

“(1A) Paragraph (1) shall not apply where a difference in the appropriate percentage arises only because of the application of regulation 55HA.”.

*Name*  
*Name*

Two of the Commissioners for Her Majesty’s Revenue and Customs

Date

## **EXPLANATORY NOTE**

*(This note is not part of the Regulations)*

These Regulations, which come into force on [ . . . ], amend Part 7A (flat-rate scheme for small businesses) of the Value Added Tax Regulations 1995 (S.I. 1995/2518; “the Principal Regulations”).

The effect of these amendments is to introduce a new flat rate percentage for flat-rate traders who operate on a limited cost basis (“limited cost-traders”).

Regulation 3 inserts a new paragraph in regulation 55A of the Principal Regulations to include a definition of “limited-cost trader”.

Regulation 7 inserts a new regulation 55HA in the Principal Regulations. This applies a flat-rate of 16.5% to flat-rate traders who, for any prescribed accounting period, fall within the definition of “limited-cost trader”.

Regulation 8 inserts a new paragraph in regulation 55JB of the Principal Regulations so that a reduced percentage flat-rate will also apply to limited-cost traders for newly registered periods.

Regulation 9 inserts a new paragraph in regulation 55N of the Principal Regulations so that the notification requirement in regulation 55N(1) will not apply to changes in the appropriate percentage arising only from the application of the new regulation 55HA.

Consequential amendments are made in regulations 4, 5 and 6.

A Tax Information and Impact Note covering this instrument will be published on the government website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.