

## SCHEDULES

### SCHEDULE 15

Section 94

#### TREATMENT OF GOODS IN FREE ZONES

- 1 VATA 1994 is amended as follows.
- 2 In section 6(1) (time of supply), for “and 18C” substitute “, 18C and 57A”.
- 3 In section 7(1) (place of supply of goods), for “and 18B” substitute “, 18B and 57A”.
- 4 In section 7A(1) (place of supply of services), after “applies” insert “, subject to section 57A,”.
- 5 In section 17 (free zone regulations) omit subsection (2).
- 6 In section 18 (goods subject to a warehousing regime: place and time of supply), in subsection (6)—
  - (a) at the appropriate place insert—

““free zone procedure” has the meaning given by the Customs (Special Procedures and Outward Processing) (EU Exit) Regulations 2018 (S.I. 2018/1249) (see regulation 2(3)(b) of those Regulations);”;
  - (b) in the definition of “warehouse”, after paragraph (d) insert “, but does not include a warehouse so far as it is used for the storage of goods declared for a free zone procedure.”
- 7 At the end of Part 3 (application of VATA 1994 in particular cases) insert—

#### **“57A Importation following zero-rated free zone supply: deemed supply**

- (1) This section applies where—
  - (a) a person (“P”) receives—
    - (i) a zero-rated free zone supply of goods, or
    - (ii) a zero-rated free zone supply of services, and
  - (b) Condition A or B is met.
- (2) Condition A is met where, after the supply mentioned in subsection (1) (a), there is, in respect of the goods supplied or the goods on or in relation to which the service is performed (as the case may be), a breach of a requirement relating to the free zone procedure without there having been a zero-rated free zone supply by P of the goods after receiving the supply mentioned in that subsection.
- (3) Condition B is met where, after the supply mentioned in subsection (1)(a)—
  - (a) the goods supplied or the goods on or in relation to which the service is performed (as the case may be) are imported (other than by virtue of Condition A being met) without there having been a zero-rated free zone supply by P of those goods after receiving the supply mentioned in that subsection, and

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*Status: This is the original version (as it was originally enacted).*

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- (b) within the period of three months beginning with the day on which the goods are imported, P does not make a taxable supply of the goods to another person in the course or furtherance of P's business.
- (4) For the purposes of this Act—
  - (a) a supply of goods identical to the zero-rated free zone supply of goods or a supply of services identical to the zero-rated free zone supply of services (as the case may be) is to be treated as having been made—
    - (i) by P in the course or furtherance of a business carried on by P, and
    - (ii) to P for the purposes of that business, and
  - (b) that supply is to be treated—
    - (i) as taking place on the relevant day,
    - (ii) as being made in the United Kingdom,
    - (iii) as having the same value as the zero-rated free zone supply of goods or the zero-rated free zone supply of services (as the case may be), and
    - (iv) as a taxable (and not a zero-rated) supply.
- (5) For the purposes of Condition A, the reference to a breach of a requirement relating to a free zone procedure is to—
  - (a) a breach, occurring while the procedure has effect, of the terms of the declaration for the procedure or of any other requirement imposed in relation to the procedure by or under Schedule 2 to TCTA 2018, or
  - (b) a breach, occurring at any time after the declaration was made, of any other requirement imposed by an officer of Revenue and Customs in relation to the goods for which the declaration was made.
- (6) The Commissioners may by regulations make provision—
  - (a) modifying the application or effect of this section, or
  - (b) applying this section, with or without modification,
 in relation to cases set out in the regulations.
- (7) In this section—
  - “free zone procedure” has the same meaning as in Group 22 of Schedule 8 (free zones);
  - “relevant day” means—
    - (a) in a case where this section applies by virtue of Condition A being met, the day on which the breach mentioned in that Condition occurred;
    - (b) in a case where this section applies by virtue of Condition B being met, the day after the end of the period mentioned in that Condition;
  - “zero-rated free zone supply of goods” means a supply of goods within Item 1(a) of Group 22 to Schedule 8 (free zone procedure goods);
  - “zero-rated free zone supply of services” means a supply of services within Item 1(b) of that Group (free zone services).”