
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.

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.

Admission to the scheme

58. —

(1) A taxable person shall be eligible to begin to operate the scheme if—

- (a) at any time, he has reasonable grounds for believing that the value of taxable supplies made or to be made by him in the period of one year then beginning will not exceed £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 specified 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(1),
 - (iii) been assessed to a penalty under section 60 of the Act, or

(1) 1979 c. 2 ; section 152 is applied to all offences relating to VAT by section 72(12) of the Value Added Tax Act 1994 (c. 23) .

(iv) by virtue of regulation 64(1), ceased to be entitled to continue to operate the scheme.

(2) The scheme shall not apply to lease purchase agreements, hire purchase agreements, conditional sale agreements, credit sale agreements or 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 12 months from the date of the issue of the invoice.

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.

60. —

(1) A person who becomes eligible to begin to operate the scheme may do so at the beginning of his next prescribed accounting period.

(2) A person may, subject to regulation 64, remain in the scheme unless at the end of one of his prescribed accounting periods the value of taxable supplies made by him in a period of one year then ending has exceeded £437,500 and the value of the taxable supplies made by him in the period of one year then beginning has exceeded £350,000, in which case he shall cease to operate the scheme with effect from the end of the second mentioned period of one year.

(3) A person may withdraw from the scheme at the end of one of his prescribed accounting periods where—

- (a) he derives no benefit from remaining in the scheme, or
- (b) he is unable, by reason of his accounting system, to comply with the requirements of the scheme.

61. 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 may continue to use the scheme for supplies made and received while he operated the scheme, but shall not otherwise account for and pay VAT under this Part.

62. Where a person operating the scheme becomes insolvent and ceases to trade, other than for the purpose of disposing of stocks and assets, he shall within 2 months account for VAT on supplies made and received in the previous 6 months which has not otherwise been accounted for, subject to any adjustment for credit for input tax.

63. —

(1) Where a person operating the scheme ceases business or ceases to be registered, or dies or becomes bankrupt or incapacitated, he or his representative shall within 2 months or such longer period as the Commissioners may allow make a return accounting for, and pay, VAT on supplies made and received during the previous 6 months which has not otherwise been accounted for, subject to any adjustment for credit for input tax, and VAT in respect of any payment or other consideration received for earlier supplies must be accounted for and paid when received.

(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 make a return accounting for, and pay, VAT on supplies made and received during the previous 6 months which has not otherwise been accounted for, subject to any adjustment for credit for input tax, and VAT in respect of any payment or other consideration received for earlier supplies must be accounted for and paid when received.

(3) Where a business carried on by a person operating the scheme is transferred in circumstances where regulation 6(2) 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.

Withdrawal from the scheme

64. —

(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, 63, 67 or 69 of the Act or to a surcharge under section 59 of the Act,
- (c) he has failed to leave the scheme as required by regulation 60(2),
- (d) he has claimed input tax as though he had not been operating the scheme, or
- (e) the Commissioners consider it is 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.

(3) A person who ceases to operate the scheme may be required to account for and pay on a return made for the prescribed accounting period in which he ceased to operate the scheme—

- (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, notwithstanding that he has already withdrawn from the scheme of his own volition.

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.