
STATUTORY INSTRUMENTS

1997 No. 2887

VALUE ADDED TAX

The Value Added Tax (Amendment) (No. 5) Regulations 1997

Made - - - - *9th December 1997*
Laid before the House of
Commons - - - - *9th December 1997*
Coming into force - - *1st January 1998*

The Commissioners of Customs and Excise, in exercise of the powers conferred on them by section 6(14) of the Value Added Tax Act 1994⁽¹⁾ and of all other powers enabling them in that behalf, hereby make the following Regulations:

1. These Regulations may be cited as the Value Added Tax (Amendment) (No. 5) Regulations 1997 and shall come into force on 1st January 1998.
2. The Value Added Tax Regulations 1995⁽²⁾ shall be amended as follows.
3. In regulation 89 after the word “contract” there shall be inserted “(other than one of a description falling within regulation 93 below)”.
4. In regulation 90(1) after the words “where services” there shall be inserted “, except those to which regulation 93 applies,”.
5. For regulation 93 there shall be substituted—

“**93.**—(1) Where services, or services together with goods, are supplied in the course of the construction, alteration, demolition, repair or maintenance of a building or any civil engineering work under a contract which provides for payment for such supplies to be made periodically or from time to time, those services or goods and services shall be treated as separately and successively supplied at the earliest of the following times—

- (a) each time that a payment is received by the supplier,
- (b) each time that the supplier issues a VAT invoice, or
- (c) to the extent that they have not already been treated as supplied by virtue of subparagraphs (a) and (b) above and subject to paragraph (2) below, the day which falls eighteen months after the date on which those services were performed.

(1) 1994 c. 23; section 96(1) defines “the Commissioners” as meaning the Commissioners of Customs and Excise and “regulations” as meaning regulations made by the Commissioners under the Act.
(2) S.I.1995/2518; to which there are no relevant amendments.

Status: This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

(2) Sub-paragraph (1)(c) above does not apply unless the services were performed on or after 9th December 1997.”

New King’s Beam House 22 Upper Ground
London SE1 9PJ
9th December 1997

Richard Allen
Commissioner of Customs and Excise

EXPLANATORY NOTE

(This note is not part of the Regulations)

These regulations, which come into force on 1st January 1998 amend the rules governing the time when a VAT charge arises on a supply of construction services. The amendments prevent avoidance of VAT involving the deferral of a VAT charge under contrived contracts where payment for construction services was not due for many years.

Regulations 3 and 4 ensure that supplies of construction services covered by stage payments will be taxed in accordance with the amended rule for construction services, and not in accordance with other rules in the VAT Regulations, which concern continuous supplies of services and retention payments.

Regulation 5 amends the former rule for construction services covered by stage payments. Under the old rule it was the case that a VAT charge arose when payment was received by the supplier, or when a VAT invoice was issued. This will remain the case under the new rule, but in addition there will be a VAT charge 18 months after the construction services have been completed, on any part of the full charge for the construction services for which invoices have not already been issued or payments made.

The amendment includes a transitional relief, so that construction services completed before 9th December 1997 will be unaffected by the new rules.