
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations, which come into force on 1st December 1999, further amend the Value Added Tax Regulations 1995 (S.I.1995/2518) (“the principal Regulations”).

Regulation 3 amends regulation 165 of the principal Regulations in order to prevent potential avoidance. All payments or part payments by way of consideration for a supply must be taken into account when bad debt relief is claimed, not only those made to the claimant. As a result, when a claim to bad debt relief is made, payment made to someone to whom the right to receive it has been assigned, is to be treated in the same way as a payment made to the claimant.

Regulation 4 amends regulation 171 of the principal Regulations so that payment received by someone assigned the right to receive it will not oblige the claimant to repay bad debt relief previously claimed.

Regulation 5 provides that section 15(4) of the Finance Act 1999 ceases to have effect. That subsection is no longer required because of the changes to the principal Regulations made by regulations 3 and 4 above.