

STATUTORY INSTRUMENTS

2021 No. 1156

The Free Zones (Customs, Excise and Value Added Tax) Regulations 2021

PART 4

VALUE ADDED TAX

Amendment of Schedule 8 to the Value Added Tax Act 1994

8.—(1) Schedule 8 to the Value Added Tax Act 1994 (zero-rating) is amended as follows.

(2) In the table in Part 1 (index), in the appropriate place insert—

“Free zones	Group 22”
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(3) In Part 2 (the Groups) after Group 21 insert—

“GROUP 22—FREE ZONES

Item No

1. The supply by one free zone business (“A”) to another free zone business (“B”) of—
 - (a) free zone procedure goods, if—
 - (i) the supply of the goods would (apart from this provision) be taxable⁽¹⁾ but not zero-rated, and
 - (ii) A was authorised to make the supply;
 - (b) a service wholly performed in the free zone on or in relation to free zone procedure goods by a person authorised to do so, if—
 - (i) the supply of the service would (apart from this provision) be taxable but not zero-rated, and
 - (ii) before a VAT invoice⁽²⁾ is issued in respect of the supply, B notifies A in writing that this provision applies to the supply.

NOTES

- (1) “Free zone business” means a person who is—
 - (a) authorised to declare goods for a free zone procedure or to carry out a free zone activity, and
 - (b) registered under this Act or exempted from registration under paragraph 13 of Schedule 1A to this Act⁽³⁾.

(1) “Taxable supply” is defined in section 4(2) of the VAT Act.

(2) “VAT invoice” is defined in section 6(15) of the VAT Act as amended by section 24(4)(a) of Finance Act 2002 (c. 23).

(3) Paragraph 13 of Schedule 1A was inserted by paragraph 1 of Schedule 28 to the Finance Act 2012 (c. 14).

(2) References to a person authorised to do a thing are references to a person authorised in accordance with the Special Procedures Regulations to do that thing.

(3) “Special Procedures Regulations” means the Customs (Special Procedures and Outward Processing) (EU Exit) Regulations 2018(4).

(4) “Free zone activity” and “free zone procedure” have the meanings given by the Special Procedures Regulations(5).

(5) Goods are “free zone procedure goods” if they—

(a) are subject to a free zone procedure, or

(b) comprise goods within paragraph (a) that have been combined with domestic goods by a person authorised to do so.

(6) “Domestic goods” has the meaning given by section 33 of the Taxation (Cross-border Trade) Act 2018(6).

(7) “Free zone” means an area in the United Kingdom designated as a special area for customs purposes under section 100A of the Management Act(7).”.

Amendment of the Value Added Tax Regulations 1995

9. In regulation 14 (contents of VAT invoice) of the Value Added Tax Regulations 1995(8), after paragraph (1)(o) insert –

“(p) where a VAT invoice relates in whole or in part to a supply falling within Item 1 of Group 22 of Schedule 8 to the Act(9) (free zones), the reference “free zone”.”.

Revocation of Regulation 27 of the Free Zone Regulations 1984

10. Regulation 27 (relief from import tax following supply to non-registered person) of the Free Zone Regulations 1984(10) is revoked.

(4) S.I. 2018/1249.

(5) See the definitions in regulation 2(1) and (3) of S. I. 2018/1249 inserted by regulation 3(2) of this instrument.

(6) 2018 (c. 22); section 33 was amended by section 2(5) of, and paragraphs 1, 2 and 4 of Schedule 1 to, the Taxation (Post-transition Period) Act 2020 (c. 26).

(7) The Management Act is defined in section 96(1) of the VAT Act as the Customs and Excise Management Act 1979 (c. 22). Section 100A was inserted by section 8 of, and Part 1 of Schedule 4 to, the Finance Act 1984 (c. 43).

(8) S.I. 1995/2518; regulation 14(1) has been amended by S.I. 1996/1250, 2003/3220, 2007/2085, and 2012/2951.

(9) Group 22 is inserted by regulation 8(3) of this instrument.

(10) S.I. 1984/1177.