



# Value Added Tax Act 1983 (repealed 1.9.1994)

## 1983 CHAPTER 55

### *Credit for input tax against output tax*

#### **14 Credit for input tax against output tax.**

- (1) A taxable person shall, in respect of supplies made by him [<sup>F1</sup>and in respect of the acquisition by him from other member States of any goods], account for and pay tax by reference to such periods (in this Act referred to as “prescribed accounting periods”), at such time and in such manner as may be determined by or under regulations [<sup>F2</sup>, and regulations may make different provision for different circumstances].
- (2) Subject to the provisions of this section, he is entitled at the end of each such period to credit for so much of his input tax as is allowable under section 15 below, and then to deduct that amount from any output tax that is due from him.
- (3) Subject to subsection (4) below, “input tax”, in relation to a taxable person, means the following tax, that is to say—
  - (a) tax on the supply to him of any goods or services; <sup>F3</sup> . . .
  - [<sup>F4</sup>(aa) tax on the acquisition by him from another member State of any goods; and]
  - (b) tax paid or payable by him on the importation of any goods [<sup>F5</sup>from a place outside the member States],

being (in [<sup>F6</sup>each] case) goods or services used or to be used for the purpose of any business carried on or to be carried on by him; and “output tax” means tax on supplies which he makes [<sup>F7</sup>or on the acquisition by him from another member State of goods (including tax which is also to be counted as input tax by virtue of paragraph (aa) above)].

- [<sup>F8</sup>(3A) For the purposes of subsection (3) above, where goods or services [<sup>F9</sup>are supplied to a company, goods are acquired by a company from another member State or goods are imported by a company from a place outside the member States and the goods or services which are so supplied, acquired or imported] are used or to be used in connection with the provision of accommodation by the company, they shall not be

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treated as used or to be used for the purpose of any business carried on by the company to the extent that the accommodation is used or to be used for domestic purposes by—

- (a) a director of the company, or
- (b) a person connected with a director of the company.]

[<sup>F10</sup>(3B) The Treasury may by order provide with respect to any description of goods or services that, where goods or services of that description are supplied to a person who is not a taxable person, they shall, in such circumstances as may be specified in the order, be treated for the purposes of subsection (3) above as supplied to such other person as may be determined in accordance with the order.]

- (4) Where goods or services supplied to a taxable person, [<sup>F11</sup>goods acquired by a taxable person from another member State or goods imported by a taxable person from a place outside the member States], are used or to be used partly for the purposes of a business carried on or to be carried on by him and partly for other purposes, tax on supplies [<sup>F12</sup>acquisitions] and importations shall be apportioned so that only so much as is referable to his business purposes is counted as his input tax.
- (5) If either no output tax is due at the end of the period, or the amount of the credit exceeds that of the tax, then, subject to subsections (6) and (7) below, the amount of the credit or, as the case may be, the amount of the excess shall be paid to the taxable person by the Commissioners.
- (6) The whole or any part of the credit may, subject to and in accordance with regulations, be held over to be credited in and for a subsequent period; and the regulations may allow for it to be so held over either on the taxable person's own application or in accordance with general or special directions given by the Commissioners from time to time.
- (7) Where at the end of any period an amount is due under subsection (5) above to a taxable person who has failed to submit returns . . . <sup>F13</sup>for any earlier period as required by this Act, the Commissioners may withhold payment of that amount until he has complied with that requirement.
- (8) No deduction shall be made under subsection (2) above nor shall any payment be made under subsection (5) above, except on a claim made in such manner and at such time as may be determined by or under regulations; and, in the case of a person who has made no taxable supplies in the period concerned or any previous period, payment under subsection (5) above shall be made subject to such conditions (if any) as the Commissioners think fit to impose, including conditions as to repayment in specified circumstances.
- (9) Regulations may provide—
  - (a) for tax on the supply of goods or services to a taxable person, [<sup>F14</sup>tax on the acquisition of goods by a taxable person from other member States and tax paid or payable by a taxable person on the importation of goods from places outside the member States], to be treated as his input tax only if and to the extent that the charge to tax is evidenced and quantified by reference to such documents as may be specified in the regulations or the Commissioners may direct either generally or in particular cases or classes of cases;
  - (b) for a taxable person to count as his input tax, in such circumstances, to such extent and subject to such conditions as may be prescribed, tax on the supply to him of goods or services [<sup>F15</sup>or on the acquisition of goods by him from another member State or paid by him on the importation of goods from places

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- outside the member States] notwithstanding that he was not a taxable person at the time of the supply, [<sup>F16</sup>acquisition] or payment;
- (c) for a taxable person that is a body corporate to count as its input tax, in such circumstances, to such extent and subject to such conditions as may be prescribed, tax on the supply [<sup>F17</sup>acquisition or importation of goods before the company's incorporation for appropriation to the company or its business] or on the supply of services before that time for its benefit or in connection with its incorporation;
- (d) in the case of a person who has been, but is no longer, a taxable person, for him to be paid by the Commissioners the amount of any tax on a supply of services made to him for the purposes of the business carried on by him when he was a taxable person.
- (10) The Treasury may by order provide, in relation to such supplies [<sup>F18</sup>acquisitions], and importations as the order may specify, that tax charged on them is to be excluded from any credit under this section; and—
- (a) any such provision may be framed by reference to the description of goods or services supplied or goods [<sup>F19</sup>acquired or] imported, the person by whom they are supplied [<sup>F20</sup>acquired], or imported or to whom they are supplied, the purposes for which they are supplied [<sup>F20</sup>acquired], or imported, or any circumstances whatsoever; and
- (b) such an order may contain provision for consequential relief from output tax.
- [<sup>F21</sup>(11) For the purposes of this section “director” means—
- (a) in relation to a company whose affairs are managed by a board of directors or similar body, a member of that board or similar body;
- (b) in relation to a company whose affairs are managed by a single director or similar person, that director or person;
- (c) in relation to a company whose affairs are managed by the members themselves, a member of the company;
- and a person is connected with a director if that person is the director's wife or husband, or is a relative, or the wife or husband of a relative, of the director or of the director's wife or husband.]

#### Textual Amendments

- F1** Words in s. 14(1) inserted (1.12.1992) by Finance (No. 2) Act 1992 (c. 48), s. 14(2), **Sch. 3 Pt. I para. 15(1)**; S.I. 1992/2979, art. 4, **Sch. Pt.II** (with art. 5).
- F2** Words added by Finance Act 1987 (c. 16, SIF 40:2), s. 11(1)
- F3** Word in s. 14(3)(a) repealed by Finance (No. 2) Act 1992 (c. 48), s. 82, **Sch. 18 Pt. V** (by the note at the end of Pt. V of Sch. 18 it is provided that the repeals in Pt. V come into force in accordance with s. 14(3) of that 1992 Act); S.I. 1992/1867, art. 3, **Sch. Pt. I**; S.I. 1992/2979, art. 4, **Sch. Pt. II** (with art. 5); S.I. 1992/3261, art. 3, **Sch.** (with art. 4)
- F4** S. 14(3)(aa) inserted (1.12.1992) by Finance (No. 2) Act 1992 (c. 48), s. 14(2), **Sch. 3 Pt. I para. 15(2)(a)**; S.I. 1992/2979, art. 4, **Sch. Pt.II** (with art. 5).
- F5** Words in s. 14(3)(b) inserted (1.12.1992) by Finance (No. 2) Act 1992 (c. 48), s. 14(2), **Sch. 3 Pt. I para. 15(2)(b)**; S.I. 1992/2979, art. 4, **Sch. Pt.II** (with art. 5).
- F6** Word in s. 14(3) substituted (1.12.1992) by Finance (No. 2) Act 1992 (c. 48), s. 14(2), **Sch. 3 Pt. I para. 15(2)(c)**; S.I. 1992/2979, art. 4, **Sch. Pt.II** (with art. 5).
- F7** Words in s. 14(3) inserted (1.12.1992) by Finance (No. 2) Act 1992 (c. 48), s. 14(2), **Sch. 3 Pt. I para. 15(2)(d)**; S.I. 1992/2979, art. 4, **Sch. Pt.II** (with art. 5).
- F8** S. 14(3A) inserted by Finance Act 1990 (c. 29, SIF 40:2), s. 12(2)(4)

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- F9** Words in s. 14(3A) substituted (1.12.1992) by virtue of Finance (No. 2) Act 1992 (c. 48), s. 14(2), **Sch. 3 Pt. I para. 15(3)** (where the substitution is expressed to be in place of "supplied to, or imported by, a company" whereas the actual words then to be found in s. 14(3A) were "supplied to, or goods imported by, a company"); S.I. 1992/2979, art. 4, **Sch. Pt.II** (with art. 5).
- F10** S. 14(3B) inserted by Finance Act 1991 (c. 31, SIF 40:2), **s. 14**
- F11** Words in s. 14(4) substituted (1.12.1992) by Finance (No. 2) Act 1992 (c. 48), s. 14(2), **Sch. 3 Pt. I para. 15(4)(a)**; S.I. 1992/2979, art. 4, **Sch. Pt.II** (with art. 5).
- F12** Word in s. 14(4) inserted (1.12.1992) by Finance (No. 2) Act 1992 (c. 48), s. 14(2), **Sch. 3 Pt. I para. 15(4)(b)**; S.I. 1992/2979, art. 4, **Sch. Pt.II** (with art. 5).
- F13** Words repealed by Finance Act 1988 (c. 39, SIF 40:2), s. 148, **Sch. 14 Pt. III**
- F14** Words in s. 14(9)(a) substituted (1.12.1992) by Finance (No. 2) Act 1992 (c. 48), s. 14(2), **Sch. 3 Pt. I para. 15(5)(a)**; S.I. 1992/2979, art. 4, **Sch. Pt.II** (with art. 5).
- F15** Words in s. 14(9)(b) substituted (1.12.1992) by Finance (No. 2) Act 1992 (c. 48), s. 14(2), **Sch. 3 Pt. I para. 15(5)(b)(i)**; S.I. 1992/2979, art. 4, **Sch. Pt.II** (with art. 5).
- F16** Word in s. 14(9)(b) inserted (1.12.1992) by Finance (No. 2) Act 1992 (c. 48), s. 14(2), **Sch. 3 Pt. I para. 15(5)(b)(ii)**; S.I. 1992/2979, art. 4, **Sch. Pt.II** (with art. 5).
- F17** Words in s. 14(9)(c) substituted (1.12.1992) by Finance (No. 2) Act 1992 (c. 48), s. 14(2), **Sch. 3 Pt. I para. 15(5)(c)**; S.I. 1992/2979, art. 4, **Sch. Pt.II** (with art. 5).
- F18** Word in s. 14(10) inserted (1.12.1992) by Finance (No. 2) Act 1992 (c. 48), s. 14(2), **Sch. 3 Pt. I para. 15(6)(a)**; S.I. 1992/2979, art. 4, **Sch. Pt.II** (with art. 5).
- F19** Words in s. 14(10)(a) inserted (1.12.1992) by Finance (No. 2) Act 1992 (c. 48), s. 14(2), **Sch. 3 Pt. I para. 15(6)(b)**; S.I. 1992/2979, art. 4, **Sch. Pt.II** (with art. 5).
- F20** Words in s. 14(10)(a) inserted (1.12.1992) by Finance (No. 2) Act 1992 (c. 48), s. 14(2), **Sch. 3 Pt. I para. 15(6)(c)**; S.I. 1992/2979, art. 4, **Sch. Pt.II** (with art. 5).
- F21** S. 14(11) inserted by Finance Act 1990 (c.29, SIF 40:2), **s. 12(3)(4)**

#### Modifications etc. (not altering text)

- C1** S. 14 definitions of "input tax" and "output tax" applied in relation to any chargeable period or its basis period ending on or after 6.4.1990 by Capital Allowances Act 1990 (c. 1, SIF 63:1), **s. 159A(7)**
- C2** S. 14 excluded by S.I. 1981/1741, **art. 8** (as substituted by S.I. 1984/736, **art. 2**) and art. 9(1) (as substituted by S.I. 1988/1124, **art. 2(b)**)
- C3** S. 14 amended by S.I. 1987/1806, **art. 12**.
- C4** S. 14(3) modified by S.I. 1991/2306, **art. 3**
- C5** S. 14(4) restricted by Finance Act 1986 (c.41, SIF 40:2), **s. 9(5)**
- C6** S. 14(5) amended by Finance Act 1985 (c.54, SIF 40:2), **s. 20(1)(4)(a)(6)** (as substituted by Finance Act 1988 (c.39, SIF 40:2), **s. 20**)

## 15 Input tax allowable under section 14.

[<sup>F22</sup>(1) The amount of input tax for which a taxable person is entitled to credit at the end of any period shall be so much of the input tax for the period (that is input tax on supplies [<sup>F23</sup>acquisitions] and importations in the period) as is allowable by or under regulations as being attributable to supplies within subsection (2) below.

(2) The supplies within this subsection are the following supplies made or to be made by the taxable person in the course or furtherance of his business—

- (a) taxable supplies;
- (b) supplies outside the United Kingdom which would be taxable supplies if made in the United Kingdom;

[ such other supplies outside the United Kingdom and such exempt supplies as

<sup>F24</sup>(ba) the Treasury may by order specify for the purposes of this subsection.]

<sup>F25</sup>(c) .....

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- (3) The Commissioners shall make regulations for securing a fair and reasonable attribution of input tax to supplies within subsection (2) above, and any such regulations may provide for—
- (a) determining a proportion by reference to which input tax for any prescribed accounting period is to be provisionally attributed to those supplies;
  - (b) adjusting, in accordance with a proportion determined in like manner for any longer period comprising two or more prescribed accounting periods or parts thereof, the provisional attribution for any of those periods; and
  - (c) the making of payments in respect of input tax, by the Commissioners to a taxable person (or a person who has been a taxable person) or by a taxable person (or a person who has been a taxable person) to the Commissioners, in cases where events prove inaccurate an estimate on the basis of which an attribution was made
- <sup>F26</sup> [ preventing input tax on a supply which, under or by virtue of any provision of this Act, a person makes to himself from being allowable as attributable to that supply. ]
- (4) Regulations under subsection (3) above may make different provision for different circumstances and, in particular (but without prejudice to the generality of that subsection) for different descriptions of goods or services; and may contain such incidental and supplementary provisions as appear to the Commissioners necessary or expedient.

#### Textual Amendments

- F22** S. 15(1)–(3) substituted by Finance Act 1987 (c. 16, SIF 40:2), s. 12(1)(4)
- F23** Word in s. 15(1) inserted (1.12.1992) by Finance (No. 2) Act 1992 (c. 48), s. 14(2), **Sch. 3 Pt. I para. 16(1)**; S.I. 1992/2979, art. 4, **Sch. Pt. II** (with art. 5).
- F24** S. 15(2)(ba) inserted (1.12.1992) by Finance (No. 2) Act 1992 (c. 48), s. 14(2), **Sch. 3 Pt. I para. 16(2)**; S.I. 1992/2979, art. 4, **Sch. Pt. II** (with art. 5).
- F25** S. 15(2)(c) repealed by Finance (No. 2) Act 1992 (c. 48), s. 82, **Sch. 18 Pt. V** (by the note at the end of Pt. V of Sch. 18 it is provided that the repeals in Pt. V come into force in accordance with s. 14(3) of that 1992 Act); S.I. 1992/1867, art. 3, **Sch. Pt. I**; S.I. 1992/2979, art. 4, **Sch. Pt. II** (with art. 5); S.I. 1992/3261, art. 3, **Sch.** (with art. 4)
- F26** Para. (d) added by Finance Act 1989 (c. 26, SIF 40:2), s. 26

#### Modifications etc. (not altering text)

- C7** S. 15 excluded by S.I. 1981/1741, **art. 8** (as substituted by S.I. 1984/736, **art. 2**) and art. 9(1) (as substituted by S.I. 1988/1124, **art. 2(b)**)
- C8** S. 15 amended by S.I. 1987/1806, **art. 12**

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