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STATUTORY INSTRUMENTS

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**1992 No. 3122**

**VALUE ADDED TAX**

**The Value Added Tax (Cars) Order 1992**

*Made* - - - - 9th December 1992  
*Laid before the House of*  
*Commons* - - - - 11th December 1992  
*Coming into force* - - 1st January 1993

The Treasury, in exercise of the powers conferred on them by sections 3(3), 3(5), 18(1), 18(2), 18(3), 18(4), 18(5), 18(6) and 29(2) of the Value Added Tax Act 1983<sup>(1)</sup> and of all other powers enabling them in that behalf, hereby make the following Order:

**Citation and commencement** **U.K.**

1. This Order may be cited as the Value Added Tax (Cars) Order 1992 and shall come into force on 1st January 1993.

**Commencement Information**

**II** Art. 1 in force at 1.1.1993, see [art. 1](#)

**Interpretation** **U.K.**

2. In this Order—

“the Act” means the Value Added Tax Act [<sup>F1</sup>1994];

[<sup>F2</sup>“the Manx Act” means the Value Added Tax and Other Taxes Act 1973]

“car dealer” means a taxable person who carries on a business which consists of or includes the sale of motor cars;

“finance agreement” means an agreement for the sale of goods whereby the property in those goods is not to be transferred until the whole of the price has been paid and the seller retains the right to repossess the goods;

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(1) 1983 c. 55; subsections (3) and (5) of section 3 were amended by the Finance (No. 2) Act 1992 (c. 48) section 14(2), Schedule 3, sub-paragraphs 4(1) and (2) respectively; sub-sections (3) and (4) of section 18 were amended by sub-paragraphs (1) and (2) of paragraph 19 of that Schedule.

**Status:** Point in time view as at 01/06/1995.

**Changes to legislation:** There are currently no known outstanding effects for the The Value Added Tax (Cars) Order 1992. (See end of Document for details)

“insurer” means a person permitted, in accordance with section 2 of the Insurance Companies Act 1982<sup>(2)</sup> to effect and carry out contracts of insurance against risks of loss of or damage to goods;

“motor car” means any motor vehicle of a kind normally used on public roads which has three or more wheels and either—

- (a) is constructed or adapted solely or mainly for the carriage of passengers; or
- (b) has to the rear of driver’s seat roofed accommodation which is fitted with side windows or which is constructed or adapted for the fitting of side windows;

but does not include—

- (i) vehicles capable of accommodating only one person or suitable for carrying twelve or more persons;
- (ii) vehicles of not less than three tonnes unladen weight;
- (iii) caravans, ambulances and prison vans;
- (iv) vehicles of a type approved by the Assistant Commissioner of Police of the Metropolis conforming to the conditions of fitness for the time being laid down by him for the purposes of the London Cab Order 1934<sup>(3)</sup>; or
- (v) vehicles constructed for a special purpose other than the carriage of persons and having no other accommodation for carrying persons than such as is incidental to that purpose.

[<sup>F3</sup>“auctioneer” means a person who sells or offers for sale goods at any public sale where persons become purchasers by competition, being the highest bidders.]

#### Textual Amendments

- F1** Word in [art. 2](#) substituted (1.6.1995) by [The Value Added Tax \(Cars\) \(Amendment\) Order 1995 \(S.I. 1995/1269\)](#), arts. 1, [3\(a\)](#)
- F2** Words in [art. 2](#) inserted (1.6.1995) by [The Value Added Tax \(Cars\) \(Amendment\) Order 1995 \(S.I. 1995/1269\)](#), arts. 1, [3\(b\)](#)
- F3** Words in [art. 2](#) inserted (1.6.1995) by [The Value Added Tax \(Cars\) \(Amendment\) Order 1995 \(S.I. 1995/1269\)](#), arts. 1, [3\(c\)](#)

#### Commencement Information

- I2** Art. 2 in force at 1.1.1993, see [art. 1](#)

#### Revocations **U.K.**

**3.** The provisions specified in the first column of the Schedule to this Order are hereby revoked to the extent specified in the second column of that Schedule.

#### Commencement Information

- I3** Art. 3 in force at 1.1.1993, see [art. 1](#)

(2) 1982 c. 50.

(3) S.R. & O. 1934/1346 (Rev. XIV, p.795: 1934 I, p.1221).

## Treatment of transactions **U.K.**

4.—(1) Each of the following descriptions of transactions shall be treated as neither a supply of goods nor a supply of services—

- (a) the disposal of a used motor car by a person who repossessed it under the terms of a finance agreement, where the motor car is in the same condition as it was in when it was repossessed;
- (b) the disposal of a used motor car by an insurer who has taken it in the settlement of a claim under a policy of insurance, where the motor car is disposed of in the same condition as it was in when it was so taken;
- (c) the disposal of a motor car for no consideration where, on a previous supply of the motor car or on its acquisition from another member State or on its importation, tax charged thereon had been excluded from any credit by virtue of an order made under section [F425(7)] of the Act;
- [F5](d) services in connection with a supply of a used motor car provided by an agent acting in his own name to the purchaser of the motor car the consideration for which is taken into account by virtue of article 8(8) below in calculating the price at which the agent sold the motor car.
- (e) services in connection with the sale of a used motor car provided by an auctioneer acting in his own name to the vendor or the purchaser of the motor car the consideration for which is taken into account by virtue of article 8(9) below in calculating the price at which the auctioneer obtained (or as the case may be) sold the motor car.]

(2) Nothing in paragraph (1)(a) or (b) above shall be construed as meaning that a transaction is not a supply for the purposes of section [F611(1)(a)] of the Act(4).

### Textual Amendments

- F4** Word in art. 4(1)(c) substituted (1.6.1995) by [The Value Added Tax \(Cars\) \(Amendment\) Order 1995](#) (S.I. 1995/1269), arts. 1, **4(a)**
- F5** Art. 4(1)(d)(e) inserted (1.6.1995) by [The Value Added Tax \(Cars\) \(Amendment\) Order 1995](#) (S.I. 1995/1269), arts. 1, **4(c)**
- F6** Word in art. 4(2) substituted (1.6.1995) by [The Value Added Tax \(Cars\) \(Amendment\) Order 1995](#) (S.I. 1995/1269), arts. 1, **4(b)**

### Commencement Information

- I4** Art. 4 in force at 1.1.1993, see [art. 1](#)

## Self-supplies **U.K.**

5.—(1) This article applies to the following motor cars produced or obtained by a taxable person in the course or furtherance of any business carried on by him, that is to say—

- (a) any motor car produced by him otherwise than by the conversion of a vehicle obtained by him;
- (b) any motor car produced by him by the conversion of another vehicle (whether a motor car or not) and in respect of which the conditions specified in paragraph (2) below are satisfied;
- (c) any motor car obtained by him and in respect of which the conditions specified in paragraph (2) below are satisfied.

(4) Section 8A was inserted by the Finance (No. 2) Act 1992 (c. 48), section 14 and Schedule 3 paragraph 10.

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*Status: Point in time view as at 01/06/1995.*

*Changes to legislation: There are currently no known outstanding effects for the The Value Added Tax (Cars) Order 1992. (See end of Document for details)*

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- (2) The conditions mentioned in paragraph (1) above are–
- (a) that the motor car or other vehicle was supplied to the taxable person or was acquired by him from another member State or was imported by him; and
  - (b) tax was chargeable on that supply, acquisition or importation; and
  - (c) the taxable person is entitled to credit for that tax under sections [F725 and 26] of the Act.
- (3) Save in the case of a motor car to which article 6 below applies, where a motor car to which this article applies–
- (a) is neither supplied by the taxable person in the course or furtherance of any business carried on by him, nor converted into another vehicle (whether a motor car or not) in the course of furtherance of that business; but
  - (b) is used by him for the purpose of that business,

the motor car shall be treated for the purposes of the Act as both supplied to him for the purposes of that business and supplied by him in the course or furtherance of that business, except where the Commissioners are satisfied that the motor car is, or is to be, used solely for the purpose of research and development in his business as a producer of motor cars (other than as a producer of motor cars solely by the conversion of vehicles).

- 6.—**(1) Where a motor car is supplied to a taxable person or is acquired by a taxable person from another member State or is imported by a taxable person, primarily for the purpose of–
- (a) being provided by him for hire with the services of a driver for the purpose of carrying passengers; or
  - (b) being provided by him for self-drive hire; or
  - (c) being used as a vehicle in which instruction in the driving of a motor car is to be given by him; or
  - (d) the letting on hire to a person [F8 under an agreement which imposes a] condition that he uses the motor car primarily for one of the purposes described in sub-paragraphs (a) to (c) above,

and it is neither supplied by the taxable person in the course or furtherance of any business carried on by him, nor converted into another vehicle (whether a motor car or not), in the course or furtherance of that business, but it is used by him for the purpose of any business carried on by him primarily for a purpose other than one of the purposes described in sub-paragraphs (a) to (d) above, then the motor car shall be treated for the purposes of the Act as both supplied to him for the purposes of that business and supplied by him in the course or furtherance of that business.

[F9(1A) Where a motor car has been used for the purpose described in paragraph (1)(d) above and the person to whom it is let on hire uses it in breach of the condition, paragraph (1) above shall apply as if the motor car had been used by the taxable person for the purpose of any business carried on by him primarily for a purpose other than one of the purposes described in sub-paragraph (1) (a) to (d) above.]

- (2) In this article “self-drive hire” means hire where the hirer is the person normally expected to drive the motor car and the period of hire to each hirer, together with the period of hire of any other motor car expected to be hired to him by the taxable person–
- (a) will normally be less than 30 consecutive days; and
  - (b) will normally be less than 90 days in any period of 12 months.

**7.** Articles 5 and 6 above shall apply in relation to any bodies corporate which are treated for the purposes of section [F1043] of the Act as members of a group as if those bodies were one person, but

any motor car which would fall to be treated as supplied to and by that person shall be treated as supplied to and by the representative member.

#### Textual Amendments

- F7** Words in [art. 5\(2\)\(c\)](#) substituted (1.6.1995) by [The Value Added Tax \(Cars\) \(Amendment\) Order 1995 \(S.I. 1995/1269\)](#), [arts. 1, 5](#)
- F8** Words in [art. 6\(1\)\(d\)](#) substituted (1.1.1994) by [The Value Added Tax \(Cars\) \(Amendment\) Order 1993 \(S.I. 1993/2951\)](#), [arts. 1, 2\(a\)](#)
- F9** [Art. 6\(1A\)](#) inserted (1.1.1994) by [The Value Added Tax \(Cars\) \(Amendment\) Order 1993 \(S.I. 1993/2951\)](#), [arts. 1, 2\(b\)](#)
- F10** Word in [art. 7](#) substituted (1.6.1995) by [The Value Added Tax \(Cars\) \(Amendment\) Order 1995 \(S.I. 1995/1269\)](#), [arts. 1, 7](#)

#### Commencement Information

- I5** [Art. 5](#) in force at 1.1.1993, see [art. 1](#)
- I6** [Art. 6](#) in force at 1.1.1993, see [art. 1](#)
- I7** [Art. 7](#) in force at 1.1.1993, see [art. 1](#)

### Relief for second-hand motor cars **U.K.**

[<sup>F11</sup>8.—(1) Subject to complying with such conditions (including the keeping of such records and accounts) as the Commissioners may direct in a notice published by them for the purposes of this Order or may otherwise direct, and subject to paragraph (3) below, where a person supplies a used motor car which he took possession of in any of the circumstances set out in paragraph (2) below, he may opt to account for the VAT chargeable on the supply on the profit margin on the supply instead of by reference to its value.

(2) The circumstances referred to in paragraph (1) above are that the taxable person took possession of the motor car pursuant to—

- (a) a supply in respect of which no VAT was chargeable under the Act or under Part I of the Manx Act;
- (b) a supply on which VAT was chargeable on the profit margin in accordance with paragraph (1) above, or a corresponding provision made under the Manx Act or a corresponding provision of the law of another member State;
- (c) a transaction which was treated by virtue of any Order made under Section 5(3) of the Act or under the corresponding provisions of the Manx Act as being neither a supply of goods nor a supply of services.

(3) This article does not apply to—

- (a) a supply which is a letting on hire;
- (b) the supply by any person of a motor car which was produced by him, if it was neither previously supplied by him in the course or furtherance of any business carried on by him nor treated as so supplied by virtue of article 5 above;
- (c) any supply if an invoice or similar document showing an amount as being VAT or as being attributable to VAT is issued in respect of the supply;
- (d) save where it has previously been treated as supplied by him by virtue of article 6 above, the supply by a taxable person of a motor car where its supply to him or its acquisition by him from another member State, or its importation by him, was primarily for any of the following purposes—

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- (i) being provided by him for hire with the services of a driver for the purpose of carrying passengers;
- (ii) being provided by him for self-drive hire;
- (iii) being used as a vehicle in which instruction in the driving of a motor car is to be given by him; or
- (iv) the letting on hire to a person who is not a taxable person on condition that he uses the motor car primarily for one of the purposes described in paragraphs (i) to (iii).

(4) For the purposes of paragraph (3)(d) above “self-drive hire” means hire where the hirer is the person normally expected to drive the motor car and the period of hire to each hirer, together with the period of hire of any other motor car expected to be hired to him by the taxable person—

- (a) will normally be less than 30 consecutive days; and
- (b) will normally be less than 90 days in any period of 12 months.

(5) Subject to paragraph (6) below, for the purposes of determining the profit margin—

- (a) the price at which the motor car was obtained shall be calculated as follows—
  - (i) (where the taxable person took possession of the used motor car pursuant to a supply) in the same way as the consideration for the supply would be calculated for the purposes of the Act;
  - (ii) (where the taxable person is a sole proprietor and the used motor car was supplied to him in his private capacity) in the same way as the consideration for the supply to him as a private individual would be calculated for the purposes of the Act;
- (b) the price at which the motor car is sold shall be calculated in the same way as the consideration for the supply would be calculated for the purposes of the Act.

(6) Subject to paragraph (7) below, where the taxable person is an agent acting in his own name the price at which the motor car was obtained shall be calculated in accordance with paragraph 5(a) above but the selling price calculated in accordance with paragraph 5(b) above shall be increased by the amount of any consideration payable to the taxable person in respect of services supplied by him to the purchaser in connection with the supply of the motor car.

(7) Instead of calculating the price at which the motor car was obtained or supplied in accordance with paragraph (6) above, an auctioneer acting in his own name may—

- (a) calculate the price at which the motor car was obtained by deducting from the successful bid the consideration for any services supplied by him to the vendor in connection with the sale of the motor car;
- (b) calculate the price at which the motor car was supplied by adding to the successful bid the consideration for any supply of services by him to the purchaser in connection with the sale of the motor car,

in either (or both) cases excluding the consideration for supplies of services that are not chargeable to VAT.]

#### **Textual Amendments**

**F11** Art. 8 substituted (1.6.1995) by [The Value Added Tax \(Cars\) \(Amendment\) Order 1995 \(S.I. 1995/1269\)](#), arts. 1, 7

#### **Commencement Information**

**I8** Art. 8 in force at 1.1.1993, see [art. 1](#)

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*Irvine Patnick*  
*Tim Boswell*  
Two of the Lords Commissioners of Her  
Majesty's Treasury

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SCHEDULE **U.K.**

Article 3

## REVOCATIONS

**Commencement Information**

**19** Sch. in force at 1.1.1993, see [art. 1](#)

Provision	Extent of Revocation
<a href="#">The Value Added Tax (Cars) Order 1980 (No. 442)</a>	The whole Order insofar as it contains provisions which were subject to annulment in pursuance of a resolution of the House of Commons by virtue of section 43(3) of the Finance Act 1972 <sup>(5)</sup>
<a href="#">The Value Added Tax (Cars) (Amendment) Order 1984 (No. 33)</a>	The whole Order
<a href="#">The Value Added Tax Cars (Amendment) Order 1989 (No. 959)</a>	The whole Order
<a href="#">The Value Added Tax (Cars) (Amendment) Order 1990 (No. 315)</a>	The whole Order
<a href="#">The Value Added Tax (Cars) (Amendment) Order 1992 (No. 627)</a>	The whole Order insofar as not previously revoked

**EXPLANATORY NOTE**

*(This note is not part of the Order)*

Under the directive of the Council of the European Communities dated 17th May 1977, No. [77/388/EEC](#) (O.J. No. L145, 13.6.1977, p.1) as amended by the directive of that Council dated 16th December 1991, No. 91/680 EEC (O.J. No. L376, 31.12.1991, p.1), as from 1st January 1993 goods removed to the United Kingdom from another member State of the European Communities will no longer be chargeable to tax on importation. However, such goods may become chargeable to tax on their acquisition in the United Kingdom. Goods imported into the United Kingdom from a place outside the member states will continue to be chargeable to tax on their importation.

This Order revokes and re-enacts, with amendments, the provisions specified in the Schedule. The amendments are made in consequence of the new charging event arising from an acquisition of goods from another member state.

Article 4 re-enacts, with amendments, article 7 of the [Valued Added Tax \(Cars\) Order 1980 \(No. 442\)](#) (the 1980 Order), by excluding from the scope of the tax, disposals by finance houses and insurers

(5) [1972 c. 41](#); provisions of the Value Added Tax (Cars) Order 1980 in respect of which approval by the House of Commons was required by virtue of section 43(4) of the Finance Act 1972 are revoked by the [Value Added Tax \(Input Tax\) Order 1992 \(No.3222\)](#).

**Status:** Point in time view as at 01/06/1995.

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of used motor cars in specified circumstances, and disposals without consideration of any motor car (including one acquired from another member State) in relation to which deduction of input tax has been disallowed.

Articles 5 and 6 re-enact, with amendments, article 5(1) to (3) and article 5(3A) respectively of the 1980 Order. They each provide for circumstances where a person is to be treated as supplying a motor car (which might be one acquired from another member State) both to himself and by himself.

Article 7 re-enacts article 5(4) of the 1980 Order by applying articles 5 and 6 to bodies corporate which are treated as members of a group.

Article 8 re-enacts, with amendments, article 6 of the 1980 Order. It provides for the tax chargeable on the supply of a used motor car (including one acquired from another member state) to be, subject to specified conditions, chargeable by reference to the excess (if any) of the consideration for which the car is supplied over the cost of its purchase plus (in the case of a car acquired from another member State or imported from a place outside the member States) the tax chargeable on its acquisition or importation.

**Status:**

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**Changes to legislation:**

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