
STATUTORY INSTRUMENTS

1992 No. 627

VALUE ADDED TAX

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

<i>Made</i>	- - - -	<i>10th March 1992</i>
<i>Laid before the House of Commons</i>	- - - -	<i>10th March 1992</i>
<i>Coming into force</i>	- -	<i>1st August 1992</i>

The Treasury, in exercise of the powers conferred on them by sections 3(5), 14(10) and 18(1) of the Value Added Tax Act 1983⁽¹⁾ and of all other powers enabling them in that behalf, hereby make the following Order:

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

2. The Value Added Tax (Cars) Order 1980⁽²⁾ shall be amended as follows—

(a) in article 4(1), after sub-paragraph (d), there shall be inserted—

“(e) the motor car is supplied to, or imported by, a taxable person for the primary purpose of—

- (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;
- (iv) letting it on hire to another person on condition that he uses the motor car primarily for one of the purposes described in sub-paragraphs (i) to (iii) above.”;

(b) for paragraph (2) of article 4 there shall be substituted the following—

“(2) In this article—

- (a) “sold” includes being supplied under a hire-purchase agreement;
- (b) “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,—

(1) 1983 c. 55.

(2) S.I.1980/442; the only relevant amending instrument is S.I. 1989/959.

- (i) will normally be less than 30 consecutive days; and
- (ii) will normally be less than 90 days in any period of 12 months.”;
- (c) at the beginning of article 5(3), there shall be inserted the words
“Save in the case of a motor car to which paragraph (3A) below applies.”;
- (d) after paragraph (3) of article 5 there shall be inserted the following—
 - “(3A) Where a motor car is supplied to, or imported by, a taxable person primarily for any of the purposes described in article 4(1)(e) above and—
 - (a) 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
 - (b) it is used by him for the purpose of any business carried on by him, but primarily for a purpose other than one of the purposes described in article 4(1)(e) above;that motor car shall be treated for the purposes of the Value Added Tax Act 1983 as both supplied to him for the purposes of that business and supplied by him in the course or furtherance of that business.”;
- (e) in article 6(2), after sub-paragraph (d), there shall be inserted the following—
 - “(e) save where it has previously been treated as supplied by him by virtue of article 5(3A) above, the supply by a taxable person of a motor car where its supply to, or importation by, him was primarily for any of the purposes described in article 4(1)(e) above.”.

10th March 1992

Gregory Knight
Thomas Sackville
Two of the Lords Commissioners of Her
Majesty’s Treasury

EXPLANATORY NOTE

(This note is not part of the Order)

This Order, which comes into effect on 1st August 1992, amends the scope of the Value Added Tax (Cars) Order 1980 concerning the treatment for value added tax purposes of new and used motor cars. It amends article 4 of that Order which concerns the non-deductibility of input tax on the supply or importation of a motor car. It also amends articles 5 and 6 of that Order.

The Order enables private taxi firms, self-drive hire firms and driving schools to reclaim the tax on purchases of motor cars for their businesses. It ensures that tax is charged on the full selling price of these cars when sold by those businesses in their turn by disapplying the margin relief in article 6 (whereby the consideration for the sale is the excess of the selling price over the purchase price, if any). It also creates a self-supply of the motor car where an input tax deduction has been taken, but the car has been put to a non-qualifying use.