
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](#) (OJ No. L 145, 13.7.77, p. 1) as amended by the directive of that Council dated 14th February 1994, No. [94/5/EC](#) (OJ No. L60, 3.3.94, p. 16) effective from 1st January 1995, member States are required to provide, for certain goods, a scheme of accounting on which VAT is calculated by reference to the profit margin (the margin scheme). The directives enable the United Kingdom to allow taxable persons to continue to calculate VAT by reference to the profit margin on certain goods and also to extend this facility to other goods, all of which become subject to conditions contained in the directives. One of these conditions is that goods supplied under the margin scheme are always taxable in the member State of origin and thus the normal VAT rules for intra-EC transactions do not apply.

This Order revokes and re-enacts, with amendments, the provisions of the [Value Added Tax \(Horses and Ponies\) Order 1983 \(No. 1088\)](#), the [Value Added Tax \(Special Provisions\) Order 1992 \(No. 3129\)](#) (the 1992 Order) and the [Value Added Tax \(Special Provisions\) \(Amendment\) Order 1995 \(No. 957\)](#).

Article 2 re-enacts, with amendments, article 2 of the 1992 order and defines the wider range of goods made eligible for the margin scheme by virtue of the above directives.

Article 4 re-enacts, with amendments, article 4 of the 1992 order. It extends the range of goods (which will have borne VAT on an earlier transaction) the disposal of which by mortgagees, finance houses and insurers are excluded from the scope of the tax.

Article 5 re-enacts article 5 of the 1992 order. It excludes from the scope of VAT, in certain circumstances, the transfer of assets of a business, on the transfer as a going concern of the business, or of a part of the business which is capable of separate operation.

Article 6 re-enacts article 6 of the 1992 order. It treats certain exchanges of re-conditioned articles for similar unserviceable articles as a supply of services, and not a supply of goods.

Article 7 is a new provision which excludes from the scope of the tax acquisitions from another member State of goods removed to the United Kingdom in pursuance of a supply to a taxable person made by a person in another member State where VAT on that supply is to be accounted for and paid in that other member State on the profit margin in accordance with the above directives.

Article 8 is a new provision which excludes from the scope of the tax the removal of goods to the United Kingdom in the circumstances described in article 7 by providing that such a removal is to be treated as neither a supply of goods nor a supply of services.

Article 9 is a new provision which excludes from the scope of the tax services in connection with a supply of goods provided by an agent acting in his own name to the purchaser where the consideration for those services is taken into account in calculating the profit margin on the supply of the goods.

Article 10 is a new provision which excludes from the scope of the tax services in connection with a sale of goods provided by an auctioneer acting in his own name to the purchaser or the vendor where the consideration for those services is taken into account in calculating the profit margin on the sale of the goods.

Article 11 re-enacts article 7 of the 1992 order. Its effect is that, in certain circumstances, where a person who is not a fully taxable person produces printed matter for use in his business (otherwise

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than by way of supplying them or incorporating them in other goods), the printed matter is to be treated as both supplied to him and by him.

Article 12 re-enacts, with amendments, article 8 of the 1992 order. It allows taxable persons to opt to use the margin scheme in the circumstances and for the range of goods provided for in the above directives. It sets out how the profit margin on margin scheme supplies is to be calculated and provides variations from the normal rules for agents, and auctioneers in particular, who act in their own names. It also sets out how the option to use the scheme is to be exercised.

Article 13 enables taxable persons who have opted to use the scheme under article 12 to choose a simplified system of accounting for certain goods, whereby VAT is calculated on the profit margin between the total purchase price and total selling price (terms defined in the article) in each accounting period.

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Changes and effects yet to be applied to :

- art. 2 words omitted by [S.I. 2002/1280 art. 3](#)
- art. 2 words substituted by [S.I. 1998/760 art. 3](#)
- art. 2 words substituted by [S.I. 1999/2831 art. 2](#)
- art. 2 words substituted by [S.I. 1999/3120 art. 3\(a\)](#)
- art. 2 words substituted by [S.I. 1999/3120 art. 3\(b\)](#)
- art. 4(2) words inserted by [S.I. 1995/1385 art. 2](#)
- art. 5(1)(a)(ii) words substituted by [S.I. 1998/760 art. 4](#)
- art. 5(1)(b)(iii) words substituted by [S.I. 1998/760 art. 4](#)
- art. 5(2) words substituted by [S.I. 2004/779 art. 3](#)
- art. 7 omitted by [S.I. 2019/59 reg. 11\(2\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11 omitted on IP completion day by virtue of S.I. 2020/1545, regs. 1, 104(4); S.I. 2020/1641, reg. 2, Sch.)
- art. 7 words inserted by [S.I. 2020/1545 reg. 30\(3\)\(a\)](#)
- art. 7 words substituted by [S.I. 2020/1545 reg. 30\(2\)](#)
- art. 7 words substituted by [S.I. 2020/1545 reg. 30\(3\)\(b\)](#)
- art. 8 omitted by [S.I. 2019/59 reg. 11\(2\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11 omitted on IP completion day by virtue of S.I. 2020/1545, regs. 1, 104(4); S.I. 2020/1641, reg. 2, Sch.)
- art. 8 words substituted by [S.I. 2020/1545 reg. 30\(2\)](#)
- art. 8 words substituted by [S.I. 2020/1545 reg. 30\(4\)](#)
- art. 11 omitted by [S.I. 2002/1280 art. 4](#)
- art. 12 words substituted by [S.I. 2020/1545 reg. 30\(2\)](#)
- art. 12(3)(a) substituted by [S.I. 1997/1616 art. 3](#)
- art. 12(3)(a) words inserted by [S.I. 2020/1545 reg. 30\(5\)\(a\)](#)
- art. 12(3)(a)(iii)(iv) substituted by [S.I. 2002/1503 art. 2\(a\)](#)
- art. 12(3)(a)(ii) words inserted by [S.I. 2020/1545 reg. 30\(5\)\(b\)](#)
- art. 12(3)(a)(ii) words omitted by [S.I. 2019/59 reg. 11\(3\)\(a\)\(i\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11 omitted on IP completion day by virtue of S.I. 2020/1545, regs. 1, 104(4); S.I. 2020/1641, reg. 2, Sch.)
- art. 12(3)(b) words inserted by [S.I. 2006/2187 art. 3\(2\)](#)
- art. 12(3)(b) words substituted by [S.I. 2019/59 reg. 11\(3\)\(a\)\(iii\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11 omitted on IP completion day by virtue of S.I. 2020/1545, regs. 1, 104(4); S.I. 2020/1641, reg. 2, Sch.)
- art. 12(4)(b)(i) word substituted by [S.I. 1998/760 art. 5](#)
- art. 12(5)(a)(iii) omitted by [S.I. 2019/59 reg. 11\(3\)\(b\)\(i\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11 omitted on IP completion day by virtue of S.I. 2020/1545, regs. 1, 104(4); S.I. 2020/1641, reg. 2, Sch.)
- art. 12(5)(a)(iv) words inserted by [S.I. 2006/2187 art. 3\(3\)](#)
- art. 12(5)(a)(iv) words substituted by [S.I. 2019/59 reg. 11\(3\)\(b\)\(ii\)](#) (This amendment not applied to legislation.gov.uk. Reg. 11 omitted on IP completion day by virtue of S.I. 2020/1545, regs. 1, 104(4); S.I. 2020/1641, reg. 2, Sch.)
- art. 12(7)(a) substituted by [S.I. 2001/3753 art. 3](#)
- art. 12(8) word substituted by [S.I. 1998/760 art. 5](#)
- art. 13(3) substituted by [S.I. 1999/3120 art. 4](#)

Changes and effects yet to be applied to the whole Instrument associated Parts and Chapters:

Whole provisions yet to be inserted into this Instrument (including any effects on those provisions):

- art. 2(1) art. 2 renumbered as art. 2(1) by S.I. 2001/3649 art. 500(a)
- art. 2(1) words omitted by S.I. 2004/3085 art. 2(a)
- art. 2(1) words substituted by S.I. 2001/3649 art. 500(b)
- art. 2(1) words substituted by S.I. 2006/2187 art. 3(1)
- art. 2(2) inserted by S.I. 2001/3649 art. 500(c)
- art. 2(2) omitted by S.I. 2004/3085 art. 2(b)
- art. 4(1A) inserted by S.I. 2006/869 art. 3
- art. 5(2A)(2B) inserted by S.I. 2004/779 art. 4
- art. 12(3)(a)(v) words omitted by S.I. 2019/59 reg. 11(3)(a)(ii) (This amendment not applied to legislation.gov.uk. Reg. 11 omitted on IP completion day by virtue of S.I. 2020/1545, regs. 1, 104(4); S.I. 2020/1641, reg. 2, Sch.)
- art. 12(3)(b)(i)(ii) substituted for words by S.I. 2020/1545 reg. 30(5)(d)
- art. 12(3)(b)(ii) words substituted by S.I. 2021/1164 reg. 34
- art. 12(3)(aa) inserted by S.I. 2020/1545 reg. 30(5)(c)
- art. 12(3A) inserted by S.I. 2002/1503 art. 2(b)
- art. 12(4)(a)(v)(vi) inserted by S.I. 2021/715 reg. 13(b)
- art. 12(4)(a)(iii) word omitted by S.I. 2021/715 reg. 13(a)
- art. 12(5)(a)(v) inserted by S.I. 1998/760 art. 6(1)
- art. 12(5)(a)(v)(vi) substituted for art. 12(5)(a)(v) by S.I. 2002/1503 art. 2(c)
- art. 12(5)(c) added by S.I. 1998/760 art. 6(2)
- art. 12(5)(c) omitted by S.I. 2002/1503 art. 2(d)
- art. 12(5)(iv) words substituted by S.I. 2020/1545 reg. 30(5)(e)
- art. 12(10)(11) added by S.I. 2002/1503 art. 2(e)
- art. 12A inserted by S.I. 2020/1545 reg. 30(6)