
STATUTORY INSTRUMENTS

1995 No. 1269

The Value Added Tax (Cars) (Amendment) Order 1995

Citation and Commencement

7. For article 8 there shall be substituted—

“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⁽¹⁾ 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—
 - (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

(1) Profit margin is defined for these purposes in section 50A(4) of the [Value Added Tax Act \(c.23\)](#) which was inserted by section 24(1) of the Finance Act 1995 (c. 4).

(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.”