
STATUTORY INSTRUMENTS

1995 No. 2518

The Value Added Tax Regulations 1995

[^{F1}PART VIIA

FLAT-RATE SCHEME FOR SMALL BUSINESSES

Textual Amendments

- F1** Pt. 7A inserted (25.4.2002) by [The Value Added Tax \(Amendment\) \(No. 2\) Regulations 2002 \(S.I. 2002/1142\)](#), regs. 1(2), 7

Interpretation of Part VIIA

55A.—(1) In this Part—

^{F2} ...

“capital expenditure goods” means any goods of a capital nature but does not include any goods acquired by a flat-rate trader (whether before he is a flat-rate trader or not)—

- (a) for the purpose of resale or incorporation into goods supplied by him,
- (b) for consumption by him within one year, or
- (c) to generate income by being leased, let or hired;

^{F3} ...

[^{F4}“EDR” means the day with effect from which a person is registered under the Act;]

“end date” has the meaning given in regulation 55Q(2);

“flat-rate trader” means a person who is, for the time being, authorised by the Commissioners in accordance with regulation 55B(1);

“relevant purchase” has the meaning given in regulation 55C;

“start date” has the meaning given in regulation 55B(2);

“the scheme” means the flat-rate scheme for small businesses established by this Part;

“the Table” means the table set out in regulation 55K.

(2) For the purposes of this Part, a person is associated with another person at any time if that other person makes supplies in the course or furtherance of a business carried on by him, and—

- (a) the business of one is under the dominant influence of the other, or
- (b) the persons are closely bound to one another by financial, economic and organisational links.

[
^{F5}(3) For the purposes of this Part, “relevant date”, in relation to a flat-rate trader, means any of the following—

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Changes to legislation: There are currently no known outstanding effects for the The Value Added Tax Regulations 1995, PART VIIA. (See end of Document for details)

- (a) his start date;
- (b) the first day of the prescribed accounting period current at any anniversary of his start date;
- (c) any day on which he first carries on a new business activity;
- (d) any day on which he no longer carries on an existing business activity;
- (e) any day with effect from which the Table is amended in relation to him;
- (f) where regulation 55JB (reduced rate for newly registered period) applies—
 - (i) the day that his newly registered period begins, and
 - (ii) the first anniversary of his EDR.]

^{F6}(4) For the purposes of this Part, “limited-cost trader” is a flat-rate trader whose expenditure on relevant goods in any prescribed accounting period, together with any VAT chargeable on that expenditure, is less than the specified amount, and—

- (a) “relevant goods” are goods used or to be used by a flat-rate trader exclusively for the purposes of the trader’s business but excluding the following—
 - (i) vehicles, vehicle parts and fuel except where the category of business applicable to the flat-rate trader in the Table is, in that prescribed accounting period, “Transport or storage, including couriers, freight, removals and taxis” and the flat-rate trader owns or leases a vehicle for that business;
 - (ii) food or beverages for consumption by the flat-rate trader or employees of the flat-rate trader;
 - (iii) capital expenditure goods;
 - (iv) goods for the purpose of resale, leasing, letting or hiring out except where the main business activity of the flat-rate trader ordinarily consists of selling, leasing, letting or hiring out such goods;
 - (v) goods for disposal as promotional items, gifts or donations;
- (b) “specified amount” is the higher of—
 - (i) 2 per cent of the trader’s relevant turnover in the prescribed accounting period; and
 - (ii) where the prescribed accounting period is one year, £1000, and, in any other case, such proportion of £1000 as the length of the accounting period bears to the period of one year.]

Textual Amendments

- F2** Words in reg. 55A(1) omitted (1.1.2004) by virtue of The Value Added Tax (Amendment) (No. 6) Regulations 2003 (S.I. 2003/3220), regs. 1(1)(b), **18(1)(a)**
- F3** Words in reg. 55A(1) omitted (1.1.2004) by virtue of The Value Added Tax (Amendment) (No. 6) Regulations 2003 (S.I. 2003/3220), regs. 1(1)(b), **18(1)(a)**
- F4** Words in reg. 55A(1) inserted (1.1.2004) by The Value Added Tax (Amendment) (No. 6) Regulations 2003 (S.I. 2003/3220), regs. 1(1)(b), **18(1)(b)**
- F5** Reg. 55A(3) inserted (1.1.2004) by The Value Added Tax (Amendment) (No. 6) Regulations 2003 (S.I. 2003/3220), regs. 1(1)(b), **18(1)(c)**
- F6** Reg. 55A(4) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by The Value Added Tax (Amendment) Regulations 2017 (S.I. 2017/295), regs. 1(1), **3**

Flat-rate scheme for small businesses

55B.—(1) The Commissioners may, subject to the requirements of this Part, authorise a taxable person to account for and pay VAT in respect of his relevant supplies in accordance with the scheme with effect from—

- (a) the beginning of his next prescribed accounting period after the date on which the Commissioners are notified ^{F7}... of his desire to be so authorised, or
- (b) such earlier or later date as may be agreed between him and the Commissioners.

(2) The date with effect from which a person is so authorised shall be known as his start date.

(3) The Commissioners may refuse to so authorise a person if they consider it is necessary for the protection of the revenue that he is not so authorised.

(4) A flat-rate trader shall continue to account for VAT in accordance with the scheme until his end date.

Textual Amendments

F7 Words in [reg. 55B\(1\)\(a\)](#) omitted (1.1.2004) by virtue of [The Value Added Tax \(Amendment\) \(No. 6\) Regulations 2003 \(S.I. 2003/3220\)](#), regs. 1(1)(b), [17](#)

Relevant supplies and purchases

55C.—(1) Subject to paragraphs (3) [^{F8}, (5) and (6)], any—

- (a) supply of any goods or services to,
- (b) acquisition of any goods from another member State by, or
- (c) importation of any goods ^{F9}... by,

a flat-rate trader is a relevant purchase of his.

(2) Subject to the following provisions of this regulation, any supply made by a person when he is not a flat-rate trader is not a relevant supply of his.

(3) Subject to [^{F10}paragraphs (4) and (6)] below, where—

- (a) a supply is made to, or made by, a person at a time when he is not a flat-rate trader, and
- (b) the operative date for VAT accounting purposes is, by virtue of regulation 57 (cash accounting scheme), a date when he is a flat-rate trader,

that supply is a relevant supply or a relevant purchase of his, as the case may be, if otherwise it would not be by virtue of paragraph (2) above.

(4) Where a person—

- (a) is entitled to any credit for input tax in respect of the supply to, or acquisition or importation by, him of capital expenditure goods,
- (b) claims any such credit, and
- (c) makes a supply of those capital expenditure goods,

the supply made by him is not a relevant supply of his, if otherwise it would be.

(5) Where by virtue of any provision of, or made under, the Act a supply is treated as made by a flat-rate trader, whether to himself or otherwise, that supply is neither a relevant supply nor a relevant purchase of his.

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^{F11}(6) Where a supply of goods [^{F12}or services] to which section 55A(6) of the Act applies (customers to account for tax on supplies of goods [^{F12}or services] of a kind used in missing trader ^{F13}... fraud) is made to, or made by, a flat rate trader, that supply is neither a relevant purchase nor a relevant supply of his.]

Textual Amendments

- F8** Words in reg. 55C(1) substituted (1.6.2007) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 2007 \(S.I. 2007/1418\)](#), regs. 1, **5(a)**
- F9** Words in reg. 55C(1)(c) omitted (31.12.2020) by virtue of [The Value Added Tax \(Miscellaneous Amendments, Northern Ireland Protocol and Savings and Transitional Provisions\) \(EU Exit\) Regulations 2020 \(S.I. 2020/1545\)](#), regs. 1, **53(a)** (with regs. 109-131); S.I. 2020/1641, reg. 2, Sch.
- F10** Words in reg. 55C(3) substituted (1.6.2007) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 2007 \(S.I. 2007/1418\)](#), regs. 1, **5(b)**
- F11** Reg. 55C(6) inserted (1.6.2007) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 2007 \(S.I. 2007/1418\)](#), regs. 1, **5(c)**
- F12** Words in reg. 55C(6) inserted (1.11.2010) by [The Value Added Tax \(Amendment\) \(No. 2\) Regulations 2010 \(S.I. 2010/2240\)](#), regs. 1, **3(2)**
- F13** Word in reg. 55C(6) omitted (31.12.2020) by virtue of [The Value Added Tax \(Miscellaneous Amendments, Northern Ireland Protocol and Savings and Transitional Provisions\) \(EU Exit\) Regulations 2020 \(S.I. 2020/1545\)](#), regs. 1, **53(b)** (with regs. 109-131); S.I. 2020/1641, reg. 2, Sch.

Method of accounting

55D. Subject to [^{F14}regulations [^{F15}55H, 55JB and 55KA]] below, for any prescribed accounting period of a flat-rate trader, the output tax due from him in respect of his relevant supplies shall be deemed to be the appropriate percentage of his relevant turnover for that period.

Textual Amendments

- F14** Words in reg. 55D substituted (1.1.2004) by [The Value Added Tax \(Amendment\) \(No. 6\) Regulations 2003 \(S.I. 2003/3220\)](#), regs. 1(1)(b), **18(2)**
- F15** Words in reg. 55D substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Value Added Tax \(Amendment\) Regulations 2017 \(S.I. 2017/295\)](#), regs. 1(1), **4**

Input tax

55E.—(1) For any prescribed accounting period of a flat-rate trader, he is entitled to credit for input tax in respect of any relevant purchase of his of capital expenditure goods with a value, together with the VAT chargeable, of more than £2,000.

(2) Where paragraph (1) above applies, the whole of the input tax on the goods concerned shall be regarded as used or to be used by the flat-rate trader exclusively in making taxable supplies.

(3) Section 26B(5) of the Act shall not apply to prevent a taxable person from being entitled to credit for input tax in respect of any supply, acquisition or importation by him that is not a relevant purchase of his.

(4) Nothing in this regulation gives an entitlement to credit for input tax where such entitlement is excluded by virtue of any order made under section 25(7) of the Act.

Exceptional claims for VAT relief

55F.—(1) This regulation applies where—

- (a) the first prescribed accounting period for which a taxable person is authorised to account for and pay VAT in accordance with the scheme is the first prescribed accounting period for which he is, or is required to be, registered under the Act, and
- (b) the taxable person makes a claim in accordance with regulation 111 (exceptional claims for VAT relief).

(2) Where this regulation applies, section 26B(5) of the Act shall not apply to prevent the taxable person from being entitled to credit for input tax in relation to the matters for which he makes the claim described in paragraph (1)(b) above.

(3) Where—

- (a) this regulation applies, and
- (b) the Commissioners authorise the claim described in paragraph (1)(b) above,

the whole of the input tax on the goods or services concerned shall be regarded as used or to be used by the taxable person exclusively in making taxable supplies.

Determining relevant turnover

55G.—(1) The Commissioners shall prescribe, in a notice published by them, three methods to determine when supplies are to be treated as taking place for the purpose of ascertaining the relevant turnover of a flat-rate trader for a particular period, as follows—

- (a) “the basic turnover method”, which shall be a method based on consideration for supplies taking place in a period;
- (b) “the cash turnover method”, which shall be a method based on the actual consideration received in a period;
- (c) “the retailer’s turnover method”, which shall be a method based on the daily gross takings of a retailer.

(2) When exercising their power to prescribe these methods, the Commissioners shall prescribe what rules are to apply when a flat-rate trader ceases to use one of the methods and begins to use a different method.

(3) In any prescribed accounting period, a flat-rate trader must use one of the methods to determine the value of his relevant turnover.

Appropriate percentage

^{F16}**55H.**—(1) [^{F17}Subject to regulation 55KA, the appropriate percentage] to be applied by a flat-rate trader for any prescribed accounting period, or part of a prescribed accounting period (as the case may be), shall be determined in accordance with this regulation and regulations 55JB and 55K.

(2) For any prescribed accounting period—

- (a) [^{F18}not falling within (b)], the appropriate percentage shall be that specified in the Table for the category of business that he is expected, [^{F19}on the first day of the period], on reasonable grounds, to carry on in that period;
- (b) current at his start date but not beginning with his start date, the appropriate percentage shall be that specified in the Table for the category of business that he is expected, at his start date, on reasonable grounds, to carry on in the remainder of the period;

^{F20}(c)

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- (3) Except that, where a relevant date other than his start date occurs on a day other than the first day of a prescribed accounting period, the following rules shall apply for the remainder of that prescribed accounting period—
- (a) for the remaining portion, the appropriate percentage shall be that specified in the Table for the category of business that he is expected, at the relevant date, on reasonable grounds, to carry on in that period;
 - (b) “remaining portion” means that part of the prescribed accounting period in which the relevant date occurs—
 - (i) starting with the relevant date, and
 - (ii) ending on the last day of that prescribed accounting period;
 - (c) the appropriate percentage specified in sub-paragraph (a) shall be applied to his relevant turnover in the remaining portion described;
 - (d) if the rules set out in paragraphs (a) to (c) apply and then another relevant date occurs in the same prescribed accounting period, then—
 - (i) the existing remaining portion ends on the day before the latest relevant date,
 - (ii) another remaining portion begins on the latest relevant date, and
 - (iii) the rules in paragraph (a) to (c) shall be applied again in respect of the latest remaining portion.]

Textual Amendments

- F16** Reg. 55H substituted for 55H-55JA (1.1.2004) by [The Value Added Tax \(Amendment\) \(No. 6\) Regulations 2003 \(S.I. 2003/3220\)](#), regs. 1(1)(b), **19(1)**
- F17** Words in reg. 55H(1) substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Value Added Tax \(Amendment\) Regulations 2017 \(S.I. 2017/295\)](#), regs. 1(1), **5(a)**
- F18** Words in reg. 55H(2)(a) substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Value Added Tax \(Amendment\) Regulations 2017 \(S.I. 2017/295\)](#), regs. 1(1), **5(b)(i)(aa)**
- F19** Words in reg. 55H(2)(a) substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Value Added Tax \(Amendment\) Regulations 2017 \(S.I. 2017/295\)](#), regs. 1(1), **5(b)(i)(bb)**
- F20** Reg. 55H(2)(c) omitted (with effect in accordance with reg. 1(2) of the amending S.I.) by virtue of [The Value Added Tax \(Amendment\) Regulations 2017 \(S.I. 2017/295\)](#), regs. 1(1), **5(b)(ii)**

[^{F21}Reduced appropriate percentage for newly registered period

55JB.—(1) This regulation applies where a flat-rate trader’s start date falls within one year of his EDR.

- (2) Except that this regulation does not apply where—
 - (a) the Commissioners received notification of, or otherwise became fully aware of, his liability to be registered more than one year after his EDR, or
 - (b) his end date or the first anniversary of his EDR falls before 1st January 2004.
- (3) [^{F22}Subject to regulation 55KA, at any relevant date] on or after 1st January 2004 falling within his newly registered period, the Table shall be read as if each percentage specified in the right-hand column were reduced by one.
- (4) A flat-rate trader’s “newly registered period” is the period—
 - (a) beginning with the later of—
 - (i) his start date; and

- (ii) the day the Commissioners received notification of, or otherwise became fully aware of, his liability to be registered under the Act, and
- (b) ending on the day before the first anniversary of his EDR.]

Textual Amendments

F21 Reg. 55JB inserted (1.1.2004) by [The Value Added Tax \(Amendment\) \(No. 6\) Regulations 2003 \(S.I. 2003/3220\)](#), regs. 1(1)(b), **19(2)**

F22 Words in [reg. 55JB\(3\)](#) substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Value Added Tax \(Amendment\) Regulations 2017 \(S.I. 2017/295\)](#), regs. 1(1), **6**

Category of business

55K.—(1) Where, at a relevant date, a flat-rate trader is expected, on reasonable grounds, to carry on business in more than one category in the period concerned, paragraph (3) below shall apply.

^{F23}(2)

(3) He shall be regarded as being expected, on reasonable grounds, to carry on that category of business which is expected, on reasonable grounds, to be his main business activity in that period.

(4) In paragraph (3) above, his main business activity in a period is to be determined by reference to the respective proportions of his relevant turnover expected, on reasonable grounds, to be generated by each business activity expected, on reasonable grounds, to be carried on in the period.

Table

^{F24} Category of business	Appropriate percentage
Accountancy or book-keeping	14.5
Advertising	11
Agricultural services	11
Any other activity not listed elsewhere	12
Architect, civil and structural engineer or surveyor	14.5
Boarding or care of animals	12
Business services that are not listed elsewhere	12
Catering services including restaurants and takeaways	[^{F25} 4.5]
Computer and IT consultancy or data processing	14.5
Computer repair services	10.5
Dealing in waste or scrap	10.5
Entertainment or journalism	12.5
Estate agency or property management services	12
Farming or agriculture that is not listed elsewhere	6.5

(1) “Labour-only building or construction services” means building or construction services where the value of materials supplied is less than 10 per cent of relevant turnover from such services; any other building or construction services are “general building or construction services”.]

Status: Point in time view as at 01/12/2021.

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<i>[^{F24}Category of business</i>	<i>Appropriate percentage</i>
Film, radio, television or video production	13
Financial services	13.5
Forestry or fishing	10.5
General building or construction services ⁽¹⁾	9.5
Hairdressing or other beauty treatment services	13
Hiring or renting goods	9.5
Hotel or accommodation	[^{F26} 0]
Investigation or security	12
Labour-only building or construction services ⁽¹⁾	14.5
Laundry or dry-cleaning services	12
Lawyer or legal services	14.5
Library, archive, museum or other cultural activity	9.5
Management consultancy	14
Manufacturing fabricated metal products	10.5
Manufacturing food	9
Manufacturing that is not listed elsewhere	9.5
Manufacturing yarn, textiles or clothing	9
Membership organisation	8
Mining or quarrying	10
Packaging	9
Photography	11
Post offices	5
Printing	8.5
Publishing	11
Pubs	[^{F27} 1]
Real estate activity not listed elsewhere	14
Repairing personal or household goods	10
Repairing vehicles	8.5
Retailing food, confectionary, tobacco, newspapers or children's clothing	4
Retailing pharmaceuticals, medical goods, cosmetics or toiletries	8
Retailing that is not listed elsewhere	7.5

- (1) "Labour-only building or construction services" means building or construction services where the value of materials supplied is less than 10 per cent of relevant turnover from such services; any other building or construction services are "general building or construction services".]

^{F24} Category of business	Appropriate percentage
Retailing vehicles or fuel	6.5
Secretarial services	13
Social work	11
Sport or recreation	8.5
Transport or storage, including couriers, freight, removals and taxis	10
Travel agency	10.5
Veterinary medicine	11
Wholesaling agricultural products	8
Wholesaling food	7.5
Wholesaling that is not listed elsewhere	8.5

- (1) “Labour-only building or construction services” means building or construction services where the value of materials supplied is less than 10 per cent of relevant turnover from such services; any other building or construction services are “general building or construction services”.]

Textual Amendments

- F23** Reg. 55K(2) omitted (1.1.2004) by virtue of The Value Added Tax (Amendment) (No. 6) Regulations 2003 (S.I. 2003/3220), regs. 1(1)(b), **18(3)**
- F24** Reg. 55K Table substituted (4.1.2011) by The Value Added Tax (Amendment) (No. 3) Regulations 2010 (S.I. 2010/2940), regs. 1, **4**
- F25** Word in reg. 55K Table substituted (temp.) (15.7.2020) by virtue of The Value Added Tax (Reduced Rate) (Hospitality and Tourism) (Coronavirus) Order 2020 (S.I. 2020/728), arts. 1, **6(a)** (with art. 5)
- F26** Word in reg. 55K Table substituted (temp.) (15.7.2020) by virtue of The Value Added Tax (Reduced Rate) (Hospitality and Tourism) (Coronavirus) Order 2020 (S.I. 2020/728), arts. 1, **6(b)** (with art. 5)
- F27** Word in reg. 55K Table substituted (temp.) (15.7.2020) by virtue of The Value Added Tax (Reduced Rate) (Hospitality and Tourism) (Coronavirus) Order 2020 (S.I. 2020/728), arts. 1, **6(c)** (with art. 5)

Modifications etc. (not altering text)

- C1** Reg. 55K modifications by 2020 SI 728, art. 6 continued (with effect in accordance with s. 93(5)-(10) of the amending Act) by Finance Act 2021 (c. 26), s. **93(3)** (with s. 93(4))

^{F28}Appropriate percentage for limited-cost traders

55KA.—(1) This regulation applies for determining the appropriate percentage to be applied for a prescribed accounting period in which a flat-rate trader is a limited-cost trader.

(2) Where this regulation applies, the appropriate percentage is that specified in the Table for the category of business carried on by the trader in that prescribed accounting period but the number in the right-hand column is to be read as “16.5”.

(3) Except that, where regulation 55JB also applies, the number in the right-hand column is to be read as “15.5”.]

Status: Point in time view as at 01/12/2021.

Changes to legislation: There are currently no known outstanding effects for the The Value Added Tax Regulations 1995, PART VIIA. (See end of Document for details)

Textual Amendments

F28 Reg. 55KA inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Value Added Tax \(Amendment\) Regulations 2017 \(S.I. 2017/295\)](#), regs. 1(1), 7

Admission to scheme

55L.—(1) A taxable person shall be eligible to be authorised to account for VAT in accordance with the scheme at any time if—

- (a) there are reasonable grounds for believing that—
 - (i) the value of taxable supplies to be made by him in the period of one year then beginning will not exceed [^{F29}£150,000], and
 - ^{F30}(ii)
- (b) he—
 - (i) is not a tour operator,
 - (ii) is not required to carry out adjustments in relation to a capital item under Part XV, or
 - (iii) does not intend to opt to account for the VAT chargeable on a supply made by him by reference to the profit margin on the supply, in accordance with the provisions of any Order made under section 50A of the Act,
- (c) he has not, in the period of one year preceding that time—
 - (i) been convicted of any offence in connection with VAT,
 - (ii) made any payment to compound proceedings in respect of VAT under section 152 of the Customs and Excise Management Act 1979(1),
 - (iii) been assessed to a penalty under section 60 of the Act, or
 - (iv) ceased to operate the scheme, and
- (d) he is not, and has not been within the past 24 months—
 - (i) eligible to be registered for VAT in the name of a group under section 43A of the Act,
 - (ii) registered for VAT in the name of a division under section 46(1) of the Act, or
 - (iii) associated with another person.

(2) In determining the value of a person's taxable supplies ^{F31}... for the purposes of paragraph (1) (a)—

- (a) any supply of goods or services that are capital assets of the business in the course or furtherance of which they are supplied, and
- (b) any supply of services treated as made by the recipient by virtue of section 8 of the Act (reverse charge on supplies from abroad),

shall be disregarded.

- (3) Notwithstanding the above, where a person has been—
 - (a) eligible to be registered for VAT in the name of a group under section 43A of the Act,
 - (b) registered for VAT in the name of a division under section 46(1) of the Act, or
 - (c) associated with another person,

in the period of 24 months before the date of his application, he shall not be eligible to be authorised, unless the Commissioners are satisfied that such authorisation poses no risk to the revenue.

Textual Amendments

- F29** Word in reg. 55L(1)(a)(i) substituted (10.4.2003) by [The Value Added Tax \(Amendment\) \(No. 2\) Regulations 2003 \(S.I. 2003/1069\)](#), regs. 1(1), **7(1)(a)**
- F30** Reg. 55L(1)(a)(ii) omitted (1.4.2009) by virtue of [The Value Added Tax \(Amendment\) Regulations 2009 \(S.I. 2009/586\)](#), regs. 1, **6(a)**
- F31** Words in reg. 55L(2) omitted (1.4.2009) by virtue of [The Value Added Tax \(Amendment\) Regulations 2009 \(S.I. 2009/586\)](#), regs. 1, **6(b)**

Withdrawal from the scheme

55M.—(1) Subject to paragraph (2) below, a flat-rate trader ceases to be eligible to be authorised to account for VAT in accordance with the scheme where—

- (a) at any anniversary of his start date, the total value of his income in the period of one year then ending is more than [^{F32}£230,000],
- (b) there are reasonable grounds to believe that the total value of his income in the period of 30 days then beginning will exceed [^{F33}£230,000],
- (c) he becomes a tour operator,
- (d) he intends to acquire, construct or otherwise obtain a capital item within the meaning of regulation 112(2),
- (e) he opts to account for the VAT chargeable on a supply made by him by reference to the profit margin on the supply, in accordance with the provisions of any Order made under section 50A of the Act,
- (f) he becomes—
 - (i) eligible to be registered for VAT in the name of a group under section 43A of the Act,
 - (ii) registered for VAT in the name of a division under section 46(1) of the Act, or
 - (iii) associated with another person,
- (g) he opts to withdraw from the scheme, or
- (h) his authorisation is terminated in accordance with regulation 55P below.

(2) A flat-rate trader does not cease to be eligible to be authorised by virtue of paragraph (1)(a) above if the Commissioners are satisfied that the total value of his income in the period of one year then beginning will not exceed [^{F34}£191,500].

(3) In determining the value of a flat-rate trader's income for the purposes of paragraphs (1)(a) and (b) and (2) above, any supply of goods or services that are capital assets of the business in the course or furtherance of which they are supplied, shall be disregarded.

[^{F35}(4) For the purposes of this regulation, "income" shall be calculated in accordance with the method specified in regulation 55G(1) (determining relevant turnover) used by the business to determine the value of its turnover whilst accounting for VAT under the scheme.

(5) Where a business has used more than one method to determine the value of its turnover whilst accounting for VAT under the scheme, the method referred to in paragraph (4) above shall be the most recent method used.]

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Changes to legislation: There are currently no known outstanding effects for the The Value Added Tax Regulations 1995, PART VIIA. (See end of Document for details)

Textual Amendments

- F32** Sum in Reg. 55M(1)(a) substituted (4.1.2011) by [The Value Added Tax \(Amendment\) \(No. 3\) Regulations 2010 \(S.I. 2010/2940\)](#), regs. 1, **5(a)**
- F33** Sum in Reg. 55M(1)(b) substituted (4.1.2011) by [The Value Added Tax \(Amendment\) \(No. 3\) Regulations 2010 \(S.I. 2010/2940\)](#), regs. 1, **5(b)**
- F34** Sum in Reg. 55M(2) substituted (4.1.2011) by [The Value Added Tax \(Amendment\) \(No. 3\) Regulations 2010 \(S.I. 2010/2940\)](#), regs. 1, **5(c)**
- F35** Reg. 55M(4)(5) inserted (1.4.2009) by [The Value Added Tax \(Amendment\) Regulations 2009 \(S.I. 2009/586\)](#), regs. 1, **7**

Notification

55N.—^{F36}(1) [^{F37}Subject to paragraph (1A), where—]

- (a) at the first day of the prescribed accounting period current at any anniversary of his start date,
- (b) the appropriate percentage to be applied by a flat-rate trader in accordance with regulation 55H(2)(a) for the prescribed accounting period just beginning differs from that applicable to his relevant turnover at the end of the previous prescribed accounting period,

he must notify the Commissioners of that fact within 30 days of the first day of the prescribed accounting period current at the anniversary of his start date.

^{F38}(1A) Paragraph (1) shall not apply where a difference in the appropriate percentage arises only because of the application of regulation 55KA.]

(2) Where a flat-rate trader begins to carry on a new business activity or ceases to carry on an existing business activity, he must notify the Commissioners of—

- (a) that fact,
- (b) the date that is the relevant date described by regulation 55A(3)(c) or (d) (as the case may be), and
- (c) the appropriate percentage to be applied to the period immediately before that relevant date and immediately after it,

within 30 days of that relevant date.]

(3) Where any of sub-paragraphs (a) to (g) of regulation 55M(1) apply, the flat-rate trader shall notify the Commissioners of that fact within 30 days.

(4) Any notification required by this regulation shall be given in writing.

Textual Amendments

- F36** Reg. 55N(1)(2) substituted (1.1.2004) by [The Value Added Tax \(Amendment\) \(No. 6\) Regulations 2003 \(S.I. 2003/3220\)](#), regs. 1(1)(b), **18(4)**
- F37** Words in reg. 55N(1) substituted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Value Added Tax \(Amendment\) Regulations 2017 \(S.I. 2017/295\)](#), regs. 1(1), **8(a)**
- F38** Reg. 55N(1A) inserted (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Value Added Tax \(Amendment\) Regulations 2017 \(S.I. 2017/295\)](#), regs. 1(1), **8(b)**

Termination by the Commissioners

55P. The Commissioners may terminate the authorisation of a flat-rate trader at any time if—

- (a) they consider it necessary to do so for the protection of the revenue, or
- (b) a false statement was made by, or on behalf of, him in relation to his application for authorisation.

Date of withdrawal from the scheme

55Q.—(1) The date on which a flat-rate trader ceases to be authorised to account for VAT in accordance with the scheme shall be—

- (a) where regulation 55M(1)(a) applies—
 - (i) in the case of a person who is authorised in accordance with regulation 50(1) (annual accounting scheme), the end of the prescribed accounting period in which the relevant anniversary occurred, or the end of the month next following, whichever is the earlier, or
 - (ii) in all other cases, the end of the prescribed accounting period in which the relevant anniversary occurred,
- (b) where regulation 55M(1)(b) applies, the beginning of the period of 30 days in question,
- (c) where regulation 55M(1)(c), (d), or (f) applies, the date the event occurred,
- (d) where regulation 55M(1)(e) applies, the beginning of the prescribed accounting period for which he makes the election described by that provision,
- (e) where regulation 55M(1)(g) applies, the date on which the Commissioners are notified in writing of his decision to cease using the scheme, or such earlier or later date as may be agreed between them and him, and
- (f) where regulation 55M(1)(h) applies, the date of issue of a notice of termination by the Commissioners or such earlier or later date as may be directed in the notification.

(2) The date with effect from which a person ceases to be so authorised shall be known as his end date.

Self-supply on withdrawal from scheme

55R.—(1) This regulation applies where—

- (a) a person continues to be a taxable person after his end date,
- (b) for any prescribed accounting period for which he was a flat-rate trader, he was entitled to, and claimed, credit for input tax in respect of any capital expenditure goods, and
- (c) he did not, whilst he was a flat-rate trader, make a supply of those goods.

(2) Where this regulation applies, those goods shall be treated for the purposes of the Act as being, on the day after his end date, both supplied to him for the purpose of his business and supplied by him in the course or furtherance of his business.

(3) The value of a supply of goods treated under paragraph (2) above as made to or by a person shall be determined as though it were a supply falling within paragraph 6(1) of Schedule 6 to the Act.

Adjustments in respect of stock on hand at withdrawal from scheme

55S.—(1) This regulation applies where—

- (a) a person continues to be a taxable person after his end date,
- (b) at his end date, he has stock on hand in respect of which he is not entitled to credit for input tax, and

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(c) the value of the stock on hand referred to in sub-paragraph (b) above exceeds the value of his stock on hand in respect of which he was entitled to credit for input tax, at his start date.

(2) Where this regulation applies, the taxable person, for the prescribed accounting period following that in which his end date falls, is entitled to credit for input tax in respect of his stock on hand in such amount as may be determined in accordance with a notice published by the Commissioners.

Amendment by notice

55T. The Commissioners may vary the terms of any method prescribed by them for the purposes of regulations 55G or 55S by publishing a fresh notice or publishing a notice that amends an existing notice.

Reverse charges

55U. Section 8 of the Act (reverse charge on supplies from abroad) shall not apply to any relevant supply or relevant purchase of a flat-rate trader.

Bad debt relief

55V.—(1) This regulation applies where—

- (a) a person has made a relevant supply,
- (b) he has used the cash turnover method to determine the value of his relevant turnover for the prescribed accounting period in which the relevant supply was made,
- (c) he has not accounted for and paid VAT on the supply,
- (d) the whole or any part of the consideration for the supply has been written off in his accounts as a bad debt, and
- (e) a period of 6 months (beginning with the date of the supply) has elapsed.

(2) Where this regulation applies—

- (a) section 36 of the Act(2) (bad debts) and any regulations made thereunder shall apply as if the conditions set out in subsection (1) of that section are satisfied, and
- (b) the amount of refund of VAT to which the person is entitled under that section shall be the VAT chargeable on the relevant supply described in paragraph (1) above less the flat-rate amount.

(3) In paragraph (2)(b) above, the flat-rate amount is—

$A \times B$

where—

A is the appropriate percentage applicable for the prescribed accounting period, or part thereof, in which the relevant supply was made, and

B is the value of the relevant supply together with the VAT chargeable thereon.]

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