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STATUTORY INSTRUMENTS

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**1995 No. 2518**

**The Value Added Tax Regulations 1995**

**PART XIV**

**INPUT TAX AND PARTIAL EXEMPTION**

**Attribution of input tax to taxable supplies**

**101. —**

(1) Subject to regulation 102, the amount of input tax which a taxable person shall be entitled to deduct provisionally shall be that amount which is attributable to taxable supplies in accordance with this regulation.

(2) In respect of each prescribed accounting period—

- (a) goods imported or acquired by and, subject to paragraph (5) below, goods or services supplied to, the taxable person in the period shall be identified,
- (b) there shall be attributed to taxable supplies the whole of the input tax on such of those goods or services as are used or to be used by him exclusively in making taxable supplies,
- (c) no part of the input tax on such of those goods or services as are used or to be used by him exclusively in making exempt supplies, or in carrying on any activity other than the making of taxable supplies, shall be attributed to taxable supplies, and
- (d) there shall be attributed to taxable supplies such proportion of the input tax on such of those goods or services as are used or to be used by him in making both taxable and exempt supplies as bears the same ratio to the total of such input tax as the value of taxable supplies made by him bears to the value of all supplies made by him in the period.

(3) In calculating the proportion under paragraph (2)(d) above, there shall be excluded—

- (a) any sum receivable by the taxable person in respect of any supply of capital goods used by him for the purposes of his business,
- (b) any sum receivable by the taxable person in respect of any of the following descriptions of supplies made by him, where such supplies are incidental to one or more of his business activities—
  - (i) any supply which falls within item 1 of Group 5, or item 1 of Group 6, of Schedule 8 to the Act,
  - (ii) any grant which falls within item 1 of Group 1 of Schedule 9 to the Act,
  - (iii) any grant which falls within paragraph (a) of item 1 of Group 1 of Schedule 9 to the Act,
  - (iv) any grant which would fall within item 1 of Group 1 of Schedule 9 to the Act but for an election having effect under paragraph 2 of Schedule 10 to the Act, and
  - (v) any supply which falls within Group 5 of Schedule 9 to the Act,
- (c) that part of the value of any supply of goods on which output tax is not chargeable by virtue of any order made by the Treasury under section 25(7) of the Act unless the taxable

person has imported, acquired or been supplied with the goods for the purpose of selling them, and

(d) the value of any supply which, under or by virtue of any provision of the Act, the taxable person makes to himself.

(4) The ratio calculated for the purpose of paragraph (2)(d) above shall be expressed as a percentage and, if that percentage is not a whole number, it shall be rounded up to the next whole number.

(5) For the purposes of paragraph (2)(a) above, supplies of goods or services to which regulation 42(2) applies shall be treated as supplied in the period in which the VAT on those supplies is treated by virtue of that regulation as being chargeable.