
STATUTORY INSTRUMENTS

1995 No. 2518

The Value Added Tax Regulations 1995

PART XV

ADJUSTMENTS TO THE DEDUCTION OF INPUT TAX ON CAPITAL ITEMS

Period of adjustment

114. —

(1) The proportion (if any) of the total input tax on a capital item which may be deducted under Part XIV shall be subject to adjustments in accordance with the provisions of this Part.

(2) Adjustments shall be made over a period determined in accordance with the following paragraphs of this regulation.

(3) The period of adjustment relating to a capital item of a description falling within—

- (a) regulation 113(a) shall consist of 5 successive intervals,
- (b) regulation 113(b), where the interest in the land, building or part of the building [^{F1}or civil engineering work or part of the civil engineering work] in question has less than 10 years to run at the time it is supplied to the owner, shall consist of 5 successive intervals, and
- (c) any other description shall consist of 10 successive intervals,

determined in accordance with [^{F2}paragraphs (4) to (5B) and (7)] below.

(4) Subject to [^{F3}paragraphs (5A), (5B) and (7)] below, the first interval applicable to a capital item shall be determined as follows—

- (a) where the owner is a registered person when he imports, acquires or is supplied with the item as a capital item, the first interval shall commence on the day of the importation, acquisition or supply and shall end on the day before the commencement of his tax year following that day;
- (b) where the owner is a registered person when he appropriates to use an item as a capital item, the first interval shall commence on the day he first so uses it and shall end on the day before the commencement of his tax year following that day;
- (c) where the capital item is of a description falling within regulation 113(c), the first interval shall commence on the day the owner's interest in, right over, or licence to occupy, the building or part of the building is treated as supplied to him under paragraph 1(5) of Schedule 10 to the Act and shall end on the day before the commencement of his tax year following that day;
- (d) where the capital item is of a description falling within regulation 113(d), the first interval shall commence on the later of the following days—
 - (i) 1st April 1990,
 - (ii) the day the owner first uses the building (or part of the building),

Status: Point in time view as at 03/07/1997. This version of this provision has been superseded.

Changes to legislation: There are currently no known outstanding effects for the The Value Added Tax Regulations 1995, Section 114. (See end of Document for details)

and shall end on the day before the commencement of his tax year following the day of commencement of the first interval;

- (e) where the capital item is of a description falling within regulation 113 [^{F4}(e), (f), (g) or (h)], the first interval shall commence on the day the owner first uses the building or the altered building or the extension or annex [^{F5}or the civil engineering work or the building which has been refurbished or fitted out] in question, and shall end on the day before the commencement of his tax year following that day;
- (f) where the owner is not a registered person when he first uses an item as a capital item, and subsequently—
 - (i) becomes a registered person, the first interval shall correspond with his registration period, or
 - (ii) is included among bodies treated as members of a group under section 43 of the Act, the first interval shall correspond with, or be that part still remaining of, the then current tax year of that group.

(5) Subject to [^{F6}paragraphs (5A), (5B) and (7)] below, each subsequent interval applicable to a capital item shall correspond with a longer period applicable to the owner, or if no longer period applies to him, a tax year of his.

[^{F7}(5A) On the first occasion during the period of adjustment applicable to a capital item that the owner of the item—

- (a) being a registered person subsequently becomes a member of a group under section 43 of the Act;
- (b) being a member of a group under section 43 ceases to be a member of that group (whether or not he becomes a member of another such group immediately thereafter); or
- (c) transfers the item in the course of the transfer of his business or part of his business as a going concern (the item therefore not being treated as supplied) in circumstances where the new owner is not, under regulation 6(1) above, registered with the registration number of and in substitution for the transferor,

the interval then applying shall end on the day before he becomes a member of a group or the day that he ceases to be a member of the group or transfers the business or part of the business (as the case may require) and thereafter each subsequent interval (if any) applicable to the capital item shall end on the successive anniversaries of that day.

(5B) Where the extent to which a capital item is used in making taxable supplies does not change between what would, but for this paragraph, have been the first interval and the first subsequent interval applicable to it and the length of the two intervals taken together does not exceed 12 months the first interval applicable to the capital item shall end on what would have been the day that the first subsequent interval expired.]

^{F8}(6)

[^{F9}(7) Where the owner of a capital item transfers it during the period of adjustment applicable to it in the course of the transfer of his business or a part of his business as a going concern (the item therefore not being treated as supplied) and the new owner is, under regulation 6(1) above, registered with the registration number of, and in substitution for the transferor, the interval applying to the capital item at the time of the transfer shall end on the last day of the longer period applying to the new owner immediately after the transfer or, if no longer period then applies to him, shall end on the last day of his tax year following the day of transfer.]

Textual Amendments

- F1** Words in [reg. 114\(3\)\(b\)](#) inserted (3.7.1997) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 1997 \(S.I. 1997/1614\)](#), regs. 1, [11\(a\)\(i\)](#)
- F2** Words in [reg. 114\(3\)](#) substituted (3.7.1997) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 1997 \(S.I. 1997/1614\)](#), regs. 1, [11\(a\)\(ii\)](#)
- F3** Words in [reg. 114\(4\)](#) substituted (3.7.1997) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 1997 \(S.I. 1997/1614\)](#), regs. 1, [11\(b\)\(i\)](#)
- F4** Words in [reg. 114\(4\)\(e\)](#) substituted (3.7.1997) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 1997 \(S.I. 1997/1614\)](#), regs. 1, [11\(b\)\(ii\)](#)
- F5** Words in [reg. 114\(4\)\(e\)](#) inserted (3.7.1997) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 1997 \(S.I. 1997/1614\)](#), regs. 1, [11\(b\)\(ii\)](#)
- F6** Words in [reg. 114\(5\)](#) substituted (3.7.1997) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 1997 \(S.I. 1997/1614\)](#), regs. 1, [11\(c\)](#)
- F7** [Reg. 114\(5A\)\(5B\)](#) inserted (3.7.1997) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 1997 \(S.I. 1997/1614\)](#), regs. 1, [11\(d\)](#)
- F8** [Reg. 114\(6\)](#) omitted (3.7.1997) by virtue of [The Value Added Tax \(Amendment\) \(No.3\) Regulations 1997 \(S.I. 1997/1614\)](#), regs. 1, [11\(e\)](#)
- F9** [Reg. 114\(7\)](#) substituted (3.7.1997) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 1997 \(S.I. 1997/1614\)](#), regs. 1, [11\(f\)](#)

Commencement Information

- I1** [Reg. 114](#) in force at 20.10.1995, see [reg. 1](#)

Status:

Point in time view as at 03/07/1997. This version of this provision has been superseded.

Changes to legislation:

There are currently no known outstanding effects for the The Value Added Tax Regulations 1995, Section 114.