

STATUTORY INSTRUMENTS

1995 No. 2518

The Value Added Tax Regulations 1995

PART XV **U.K.**

ADJUSTMENTS TO THE DEDUCTION OF INPUT TAX ON CAPITAL ITEMS

Method of adjustment **U.K.**

115. —

(1) Where in a subsequent interval applicable to a capital item, the extent to which it is used in making taxable supplies increases from the extent to which it was so used [^{F1}or to be used at the time that the original entitlement to deduction of the input tax was determined], the owner may deduct for that subsequent interval an amount calculated as follows—

(a) where the capital item falls within [^{F2}regulation 114(3)(b)]—
$$\frac{\text{the total input tax on the capital item}}{5} \times \text{the adjustment percentage;}$$

(b) where the capital item falls within [^{F3}regulation 114(3)(a)]—
$$\frac{\text{the total input tax on the capital item}}{10} \times \text{the adjustment percentage.}$$

(2) Where in a subsequent interval applicable to a capital item, the extent to which it is used in making taxable supplies decreases from the extent to which it was so used [^{F4}or to be used at the time that the original entitlement to deduction of the input tax was determined], the owner shall pay to the Commissioners for that subsequent interval an amount calculated in the manner described in paragraph (1) above.

[^{F5}(3) Paragraph (3ZA) applies where, during an interval other than the last interval applicable to a capital item, the owner—

- (a) supplies the whole or part of his interest in the capital item, or
- (b) is deemed to supply the whole or part of his interest in the capital item, or
- (c) would have been deemed to supply the whole of his interest in the capital item but for the fact that the VAT on the deemed supply (whether by virtue of its value or because it is zero-rated or exempt) would not have exceeded the sum specified in paragraph 8(1)(c) of Schedule 4 to the Act.

(3ZA) If the supply (or deemed supply) of the capital item referred to in paragraph (3) is—

- (a) a taxable supply, the owner shall be treated as using the whole or part (as may be the case) of the capital item for each of the remaining complete intervals applicable to it wholly in making taxable supplies, or
- (b) an exempt supply, the owner shall be treated as not using the whole or part (as may be the case) of the capital item for any of the remaining complete intervals applicable to it in making any taxable supplies,

and, in each case, the owner shall, except where paragraph (3A) applies, calculate for each of the remaining complete intervals applicable to the capital item, in accordance with paragraph (1) or (2) as the case may require, such amount as the owner may deduct or be liable to pay to the Commissioners.]

[^{F6}(3A) This paragraph applies if the total amount of input tax deducted or deductible by the owner of a capital item as a result of the initial deduction, any adjustments made under paragraph (1) or (2) above and the adjustment which would apart from this paragraph fall to be made under [^{F7}paragraph (3ZA)] above would exceed the output tax chargeable by him [^{F8}on the supply of the whole or part of that capital item].

(3B) Save as the Commissioners may otherwise allow, where paragraph (3A) above applies the owner may deduct, or as the case may require, shall pay to the Commissioners such amount as results in the total amount of input tax deducted or deductible being equal to the output tax chargeable by him [^{F9}on the supply of the whole or part of the capital item].]

[^{F10}(4) If a capital item is irretrievably lost or stolen or is totally destroyed, no further adjustment shall be made in respect of any remaining complete intervals applicable to it.]

[^{F11}(5) Subject to paragraph (5A), for the purposes of this Part —

“the adjustment percentage” means the difference (if any) between the extent, expressed as a percentage, to which the whole or part as appropriate of the capital item was used or to be used for the making of taxable supplies at the time the original entitlement to deduction of the input tax was determined and the extent to which the whole or part of it as appropriate is so used, or is treated under paragraph (3ZA) as being so used, in the subsequent interval in question;

“the original entitlement to deduction” means the entitlement to deduction under sections 24 to 26 of the Act and regulations made under those sections;

“the total input tax on the capital item” means—

in relation to any capital item, all VAT incurred by the owner on the capital expenditure on that item (whether or not the person incurring it is VAT registered at the time that it is incurred) including any non-business VAT; and

where a person is treated as making a supply to himself under [^{F12}paragraph 37(1)] of Schedule 10 to the Act, the VAT charged on that supply;

“VAT bearing capital expenditure” means capital expenditure on which VAT is charged at the standard rate or at a reduced rate.]

[^{F13}(5A) Where paragraph (3ZA) applies in respect of part of a capital item, for the remaining complete intervals the total VAT incurred on the capital item as defined in paragraph (5) shall be reduced accordingly.

(5B) The person responsible for making an adjustment under paragraph (1), (2) or (3ZA) shall be the person who is treated as the owner of the capital item under regulation 112 at the point immediately prior to the end of the interval in question or, in the case of an adjustment under paragraph (3ZA), the event specified in paragraph (3).]

(6) [^{F14}Subject to [^{F15}paragraphs (9) and (11)] below] a taxable person claiming any amount pursuant to paragraph (1) above, or liable to pay any amount pursuant to paragraph (2) above, shall include such amount in a return for the second prescribed accounting period next following the interval to which that amount relates, except where the Commissioners allow another return to be used for this purpose,

^{F16} ...

(7) [^{F17}Subject to [^{F18}paragraphs (9) and (11)] below] a taxable person claiming any amount or amounts, or liable to pay any amount or amounts, pursuant to paragraph [^{F19}(3ZA)] above, shall include such amount or amounts in a return for the second prescribed accounting period next

following the interval in which the supply (or deemed supply) in question takes place except where the Commissioners allow another return to be used for this purpose.

[^{F20}[^{F21}(8) For the purposes of paragraph (9), a “specified return” means a return specified in paragraph (6) or (7).]

(9) ^{F22}... The Commissioners shall not allow the taxable person to use a return other than a specified return unless it is the return for a prescribed accounting period commencing within 4 years of the end of the prescribed accounting period to which the specified return relates.

^{F23}(10)

[^{F24}(11) Where a person is required to make an adjustment under paragraph (1), (2) or (3ZA) at a time when he is no longer registered for VAT, he shall make the required adjustment in his final VAT return.]

Textual Amendments

- F1** Words in [reg. 115\(1\)](#) substituted (with effect in accordance with [reg. 1\(5\)](#) of the amending S.I.) by [The Value Added Tax \(Amendment\) \(No. 2\) Regulations 1999 \(S.I. 1999/599\)](#), [regs. 1\(1\), 6\(a\)](#)
- F2** Words in [reg. 115\(1\)\(a\)](#) substituted (1.1.2011) by [The Value Added Tax \(Amendment\) \(No. 4\) Regulations 2010 \(S.I. 2010/3022\)](#), [regs. 1\(1\), 13\(a\)](#)
- F3** Words in [reg. 115\(1\)\(b\)](#) substituted (1.1.2011) by [The Value Added Tax \(Amendment\) \(No. 4\) Regulations 2010 \(S.I. 2010/3022\)](#), [regs. 1\(1\), 13\(b\)](#)
- F4** Words in [reg. 115\(2\)](#) substituted (with effect in accordance with [reg. 1\(5\)](#) of the amending S.I.) by [The Value Added Tax \(Amendment\) \(No. 2\) Regulations 1999 \(S.I. 1999/599\)](#), [regs. 1\(1\), 6\(a\)](#)
- F5** [Reg. 115\(3\)\(3ZA\)](#) substituted for [reg. 115\(3\)](#) (1.1.2011) by [The Value Added Tax \(Amendment\) \(No. 4\) Regulations 2010 \(S.I. 2010/3022\)](#), [regs. 1\(1\), 13\(c\)](#)
- F6** [Reg. 115\(3A\)\(3B\)](#) inserted (3.7.1997) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 1997 \(S.I. 1997/1614\)](#), [regs. 1, 12\(b\)](#)
- F7** Words in [reg. 115\(3A\)](#) substituted (1.1.2011) by [The Value Added Tax \(Amendment\) \(No. 4\) Regulations 2010 \(S.I. 2010/3022\)](#), [regs. 1\(1\), 13\(d\)\(i\)](#)
- F8** Words in [reg. 115\(3A\)](#) substituted (1.1.2011) by [The Value Added Tax \(Amendment\) \(No. 4\) Regulations 2010 \(S.I. 2010/3022\)](#), [regs. 1\(1\), 13\(d\)\(ii\)](#)
- F9** Words in [reg. 115\(3B\)](#) substituted (1.1.2011) by [The Value Added Tax \(Amendment\) \(No. 4\) Regulations 2010 \(S.I. 2010/3022\)](#), [regs. 1\(1\), 13\(e\)](#)
- F10** [Reg. 115\(4\)](#) substituted (1.1.2011) by [The Value Added Tax \(Amendment\) \(No. 4\) Regulations 2010 \(S.I. 2010/3022\)](#), [regs. 1\(1\), 13\(f\)](#)
- F11** [Reg. 115\(5\)](#) substituted (1.1.2011) by [The Value Added Tax \(Amendment\) \(No. 4\) Regulations 2010 \(S.I. 2010/3022\)](#), [regs. 1\(1\), 13\(g\)](#) (with [reg. 1\(3\)](#))
- F12** Words in [reg. 115\(5\)](#) substituted (2.3.2011) by [The Value Added Tax \(Amendment\) Regulations 2011 \(S.I. 2011/254\)](#), [regs. 1\(1\), 5](#) (with [reg. 1\(2\)](#))
- F13** [Reg. 115\(5A\)\(5B\)](#) inserted (1.1.2011) by [The Value Added Tax \(Amendment\) \(No. 4\) Regulations 2010 \(S.I. 2010/3022\)](#), [regs. 1\(1\), 13\(h\)](#)
- F14** Words in [reg. 115\(6\)](#) inserted (1.5.1997) by [The Value Added Tax \(Amendment\) Regulations 1997 \(S.I. 1997/1086\)](#), [regs. 1, 8\(a\)](#)
- F15** Words in [reg. 115\(6\)](#) substituted (1.1.2011) by [The Value Added Tax \(Amendment\) \(No. 4\) Regulations 2010 \(S.I. 2010/3022\)](#), [regs. 1\(1\), 13\(i\)\(i\)](#)
- F16** Words in [reg. 115\(6\)](#) omitted (1.1.2011) by virtue of [The Value Added Tax \(Amendment\) \(No. 4\) Regulations 2010 \(S.I. 2010/3022\)](#), [regs. 1\(1\), 13\(i\)\(ii\)](#)
- F17** Words in [reg. 115\(7\)](#) inserted (1.5.1997) by [The Value Added Tax \(Amendment\) Regulations 1997 \(S.I. 1997/1086\)](#), [regs. 1, 8\(a\)](#)
- F18** Words in [reg. 115\(7\)](#) substituted (1.1.2011) by [The Value Added Tax \(Amendment\) \(No. 4\) Regulations 2010 \(S.I. 2010/3022\)](#), [regs. 1\(1\), 13\(j\)\(i\)](#)

Changes to legislation: *There are currently no known outstanding effects for the The Value Added Tax Regulations 1995, Section 115. (See end of Document for details)*

- F19** Word in reg. 115(7) substituted (1.1.2011) by The Value Added Tax (Amendment) (No. 4) Regulations 2010 (S.I. 2010/3022), regs. 1(1), **13(j)(ii)**
- F20** Reg. 115(8)-(10) substituted for reg. 115(8) (1.4.2009) by The Value Added Tax (Amendment) Regulations 2009 (S.I. 2009/586), regs. 1, **9**
- F21** Reg. 115(8) substituted (1.1.2011) by The Value Added Tax (Amendment) (No. 4) Regulations 2010 (S.I. 2010/3022), regs. 1(1), **13(k)**
- F22** Words in reg. 115(9) omitted (1.1.2011) by virtue of The Value Added Tax (Amendment) (No. 4) Regulations 2010 (S.I. 2010/3022), regs. 1(1), **13(l)**
- F23** Reg. 115(10) omitted (1.1.2011) by virtue of The Value Added Tax (Amendment) (No. 4) Regulations 2010 (S.I. 2010/3022), regs. 1(1), **13(m)**
- F24** Reg. 115(11) inserted (1.1.2011) by The Value Added Tax (Amendment) (No. 4) Regulations 2010 (S.I. 2010/3022), regs. 1(1), **13(n)**

Commencement Information

- I1** Reg. 115 in force at 20.10.1995, see **reg. 1**

Changes to legislation:

There are currently no known outstanding effects for the The Value Added Tax Regulations 1995, Section 115.