STATUTORY INSTRUMENTS

1996 No. 542

VALUE ADDED TAX

The Value Added Tax (Annual Accounting) Regulations 1996

Made - - - -	*7th March 1996*
Laid before the House of Commons - - - -	*7th March 1996*
Coming into force in accordance with regulation 1 below	

The Commissioners of Customs and Excise, in exercise of the powers conferred on them by section 25(1) of, and paragraphs 2(1) and (11) of Schedule 11 to, the Value Added Tax Act 1994(**1**) and of all other powers enabling them in that behalf, hereby make the following Regulations:

1. These Regulations may be cited as the Value Added Tax (Annual Accounting) Regulations 1996 and shall, in the case of a taxable person who is on the 31st March 1996 authorised under regulation 50 of the Value Added Tax Regulations 1995(**2**) come into force on the first day of his next current accounting year and in respect of any other taxable person, shall come into force on 1st April 1996.

2. The Value Added Tax Regulations 1995 shall be amended in accordance with Regulation 3 below.

3. For Part VII (Annual Accounting) (Regulations 49 to 55) there shall be substituted—

"PART VII

ANNUAL ACCOUNTING

Interpretation of Part VII

49. In this Part—

"authorised person" means a person who has been authorised by the Commissioners in accordance with regulation 50(1), and "authorised" and "authorisation" shall be construed accordingly;

(**1**) 1994 c. 23; section 96(1) defines "the Commissioners" as meaning the Commissioners of Customs and Excise and "regulations" as meaning regulations made by the Commissioners under the Act.
(**2**) S.I.1995/2518; to which there are amendments not relevant to these regulations.

"transitional accounting period" means the period commencing on the first day of a person's prescribed accounting period in which the Commissioners authorise him to use the scheme, and ending on the day immediately preceding the first day of that person's first current accounting year, and is a prescribed accounting period within the meaning of section 25(1) of the Act;

"current accounting year" means the period of 12 months commencing on a date indicated by the Commissioners in their notification of authorisation of a person, or while a person remains authorised the most recent anniversary thereof, and is a prescribed accounting period within the meaning of section 25(1) of the Act;

"the scheme" means the annual accounting scheme established by regulations 50 and 51;

"credit transfer" means the transfer of funds from one bank account to another under a mandate given by the payer to the bank making the transfer;

"the quarterly sum" means a sum equal to 20 per cent of the total amount of VAT which a taxable person was liable to pay to the Commissioners in the 12 months—

(a) immediately preceding the first day of his current accounting year; or

(b) for the purposes of regulation 51, immediately preceding the first day of his transitional accounting period;

"the agreed quarterly sum" means a sum agreed with the Commissioners, not being less than 20 per cent of a taxable person's estimated liability for VAT in his current accounting year;

"the monthly sum" means a sum equal to 10 per cent of the total amount of VAT which a taxable person was liable to pay to the Commissioners in the 12 months—

(a) immediately preceding the first day of his current accounting year; or

(b) for the purposes of regulation 51, immediately preceding the first day of his transitional accounting period;

"the agreed monthly sum" means a sum agreed with the Commissioners, not being less than 10 per cent of a taxable person's estimated liability for VAT, in his current accounting year;

"working day" means any day of the week other than Saturday, Sunday, a bank holiday or a public holiday;

"relevant quarterly date" means the last working day of the fourth and, where a period has such months, the seventh and the tenth months of a transitional accounting period;

"relevant monthly date" means the last working day of the fourth and each successive month of a transitional accounting period.

Annual accounting scheme

50.—(1) The Commissioners may, subject to the requirements of this Part, authorise a taxable person to pay and account for VAT by reference to any transitional accounting period, and any subsequent current accounting year at such times, and for such amounts, as may be determined in accordance with the scheme.

(2) A taxable person authorised to pay and account for VAT in accordance with the scheme shall—

(a) pay to the Commissioners by credit transfer—

(i) in cases to which paragraph (3) below applies, the quarterly sum, or as the case may be, the agreed quarterly sum, no later than the last working day of each of the fourth, seventh and tenth months of his current accounting year, save that where that sum does not exceed £400 no quarterly payment need be made; or

(ii) in all other cases, the monthly sum, or as the case may be, the agreed monthly sum, in nine equal monthly instalments, commencing on the last working day of the fourth month of his current accounting year; and

(b) make by the last working day of the second month following the end of that current accounting year a return in respect of that year, together with any outstanding payment due to the Commissioners in respect of his liability for VAT for the current accounting year declared on that return.

(3) This paragraph applies where the value of taxable supplies made by a taxable person in the period of 12 months ending on the day before the first day of his current accounting year —

(a) does not exceed £100,000; or

(b) where he was paying quarterly sums under the scheme in that period, does not exceed £110,000.

51. An authorised person shall, where in any given case the transitional accounting period is—

(a) 4 months or more—

(i) if the value of his taxable supplies during the period of 12 months immediately preceding the first day of his transitional accounting period did not exceed £100,000, pay to the Commissioners by credit transfer on each relevant quarterly date the quarterly sum, save that where that sum does not exceed £400 no quarterly payment need be made; or

(ii) in all other cases, pay to the Commissioners by credit transfer on each relevant monthly date the monthly sum; and

(iii) make by the last working day of the second month following the end of his transitional accounting period a return in respect of that period, together with any outstanding payment due to the Commissioners in respect of his liability for VAT declared on that return; or

(b) less than 4 months, make by the last working day of the first month following the end of his transitional accounting period a return in respect of that period, together with any outstanding payment due to the Commissioners in respect of his liability for VAT declared on that return.

Admission to the scheme

52.—(1) A taxable person shall be eligible to apply for authorisation under regulation 50(1) if—

(a) he has been registered for at least 12 months at the date of his application for authorisation;

(b) he has reasonable grounds for believing that the value of taxable supplies made or to be made by him in the period of 12 months beginning on the date of his application for authorisation will not exceed £300,000;

(c) his registration is not in the name of a group under section 43(1) of the Act;

(d) his registration is not in the name of a division under section 46(1) of the Act; and

(e) he has not in the 12 months preceding the date of his application for authorisation ceased to operate the scheme.

(2) The Commissioners may refuse to authorise a person under regulation 50(1) where they consider it necessary to do so for the protection of the revenue.

53.—(1) An authorised person shall continue to account for VAT in accordance with the scheme until he ceases to be authorised.

(2) An authorised person ceases to be authorised when—

(a) at the end of any transitional accounting period or current accounting year the value of taxable supplies made by him in that period or, as the case may be, year has exceeded £375,000; or

(b) his authorisation is terminated in accordance with regulation 54 below;

(c) he—

(i) becomes insolvent and ceases to trade, other than for the purpose of disposing of stocks and assets; or

(ii) ceases business or ceases to be registered; or

(iii) dies, becomes bankrupt or incapacitated;

(d) he ceases to operate the scheme of his own volition.

54.—(1) The Commissioners may terminate an authorisation in any case where—

(a) a false statement has been made by or on behalf of an authorised person in relation to his application for authorisation; or

(b) an authorised person fails to make by the due date a return in accordance with regulation 50(2)(b) or regulation 51(a)(iii) or (b); or

(c) an authorised person fails to make any payment prescribed in regulation 50 or 51; or

(d) where they receive a notification in accordance with paragraph (2) below; or

(e) at any time during an authorised person's transitional accounting period or current accounting year they have reason to believe, that the value of taxable supplies he will make during the period or as the case may be year, will exceed £375,000; or

(f) it is necessary to do so for the protection of the revenue; or

(g) an authorised person has not, in relation to a return made by him prior to authorisation, paid to the Commissioners all such sums shown as due thereon; or

(h) an authorised person has not, in relation to any assessment made under either section 73 or section 76 of the Act, paid to the Commissioners all such sums shown as due thereon.

(2) Where an authorised person has reason to believe that the value of taxable supplies made by him during a transitional accounting period or current accounting year will exceed £375,000, he shall within 30 days notify the Commissioners in writing.

55.—(1) The date from which an authorised person ceases to be authorised in accordance with Regulation 53(2) shall be —

(a) where regulation 53(2)(a) applies, the day following the last day of the relevant transitional accounting period or current accounting year;

(b) where regulation 53(2)(b) applies, the day on which the Commissioners terminate his authorisation;

(c) where regulation 53(2)(c) applies, the day on which any one of the events mentioned in that paragraph occurs; and

(d) where regulation 53(2)(d) applies, the date on which the Commissioners are notified in writing of the authorised persons decision to cease using the scheme.

(2) Where an authorised person ceases to be authorised, he or as the case may be, his representative, shall—

(a) if his authorisation ceases before the end of his transitional accounting period or current accounting year, make a return within 2 months of the date specified in paragraph (1)(b), (1)(c) or (1)(d) above, together with any outstanding payment due to the Commissioners in respect of his liability for VAT for that part of the period or year arising before the date he ceased to be authorised; or

(b) if his authorisation ceases at the end of his transitional accounting period or current accounting year, make a return together with any outstanding payment due to the Commissioners in respect of his liability for VAT in accordance with regulation 51 or 50 above; and

in either case, from the day following the day on which he ceases to be authorised, account for and pay VAT as provided for otherwise than under this Part.".

New King's Beam House 22 Upper Ground
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7th March 1996

Leonard Harris
Commissioner of Customs and Excise

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations delete Part VII (Annual Accounting) (Regulations 49 to 55) of the Value Added Tax Regulations 1995 ("the principal Regulations"), and substitute a new Part VII.

The Regulations, in accordance with regulation 1, come into force on the 1st April 1996 except where a taxable person is already authorised to use the annual accounting scheme ("the scheme"), in which case the regulations come into force on the first day of his next current accounting year.

The major change that is made to the operation of the scheme is the reduction in the number of interim payments that are required to be made by certain businesses which are authorised to use the scheme. Businesses will also be permitted to join the scheme before the start of their first current accounting year.

Regulation 3 substitutes a new Part VII of the principal Regulations which deal with the requirements of the annual accounting scheme.

New regulation 50 provides that, subject to the turnover limits specified in the regulation a business may account annually whilst making payments of tax quarterly or monthly. The quarterly and monthly sum are defined in regulation 49 and are respectively 20 per cent and 10 per cent of the total VAT liability of the business in the preceding 12 months. The Commissioners and authorised person, however, may agree a quarterly or monthly sum to be paid based on the person's estimated liability for his current accounting year. Where the quarterly payment is £400 or less, a business is not required to account for and pay tax until the end of its current accounting year.

New regulation 51 makes provision for a transitional accounting period to operate prior to the start of a business's current accounting year. This means a business will be able to benefit from the scheme as soon as it is authorised.

New regulation 52 states who is eligible to join the scheme. The significant change here is that a taxable person will only be excluded from admission to the scheme for twelve months, instead of three years, if he has previously ceased to operate the scheme.

New regulations 53 and 54 make provision for when a person will cease to be authorised under the scheme, and when authorisation may be terminated.

New regulation 55 specifies the date from which authorisation ceases and sets out how the business is to account for and pay VAT thereafter.