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 S T A T U T O R Y I N S T R U M E N T S
 

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**1999 No. 2930****VALUE ADDED TAX****The Value Added Tax (Input Tax) (Amendment)  
Order 1999***Approved by the House of Commons**Made - - - - - 26th October 1999**Laid before the House of Commons 27th October 1999**Coming into force in accordance with Article 1*

The Treasury, in exercise of the powers conferred on them by section 25(7) of the Value Added Tax Act 1994<sup>(a)</sup> and of all other powers enabling them in that behalf, hereby make the following Order:

**1.**—(1) This Order may be cited as the Value Added Tax (Input Tax) (Amendment) Order 1999.

(2) This Order, with the exception of articles 4, 5 and 6(c), shall come into force on 1st December 1999.

(3) Articles 4, 5 and 6(c) shall come into force on 1st March 2000.

**2.** The Value Added Tax (Input Tax) Order 1992<sup>(b)</sup> shall be amended in accordance with this Order.

**3.** In article 2—

(a) for the definition of “motor car” there shall be substituted—

““Motor car” means any motor vehicle of a kind normally used on public roads which has three or more wheels and either—

(a) is constructed or adapted solely or mainly for the carriage of passengers; or

(b) has to the rear of the driver’s seat roofed accommodation which is fitted with side windows or which is constructed or adapted for the fitting of side windows;

but does not include—

(i) vehicles capable of accommodating only one person;

(ii) vehicles which meet the requirements of Schedule 6 to the Road Vehicles (Construction and Use) Regulations 1986<sup>(c)</sup> and are capable of carrying twelve or more seated persons;

(iii) vehicles of not less than three tonnes unladen weight (as defined in the Table to regulation 3(2) of the Road Vehicles (Construction and Use) Regulations 1986);

(iv) vehicles constructed to carry a payload (the difference between a vehicle’s kerb weight (as defined in the Table to regulation 3(2) of the Road Vehicles (Construction and Use) Regulations 1986) and its maximum gross weight (as defined in that Table)) of one tonne or more;

(v) caravans, ambulances and prison vans;

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(a) 1994 c. 23.

(b) S.I. 1992/3222 to which relevant amendments were made by S.I. 1995/281, S.I. 1995/1267 and S.I. 1995/1666.

(c) S.I. 1986/1078.

- (vi) vehicles constructed for a special purpose other than the carriage of persons and having no other accommodation for carrying persons than such as is incidental to that purpose;”;
- (b) after the definition of “motor car” there shall be inserted—  
 ““motor dealer” means a person whose business consists in whole or in part of obtaining supplies of, or acquiring from another member State or importing, new or second-hand motor cars for resale with a view to making an overall profit on the sale of them (whether or not a profit is made on each sale);  
 “motor manufacturer” means a person whose business consists in whole or part of producing motor cars including producing motors cars by conversion of a vehicle (whether a motor car or not);”;
- (c) the definition of “printed matter” shall be omitted; and
- (d) after the definition of “second-hand goods”(a) there shall be inserted—  
 ““stock in trade” means new or second-hand motor cars (other than second-hand motor cars which are not qualifying motor cars within the meaning of article 7(2A) below) which are—  
 (a) produced by a motor manufacturer or, as the case may require, supplied to or acquired from another member State or imported by a motor dealer, for the purpose of resale, and  
 (b) are intended to be sold by—  
 (i) a motor manufacturer within 12 months of their production, or  
 (ii) by a motor dealer within 12 months of their supply, acquisition from another member State or importation, as the case may require,  
 and such motor cars shall not cease to be stock in trade where they are temporarily put to a use in the motor manufacturer’s or, as the case may be, the motor dealer’s business which involves making them available for private use;”.
4. In article 4, paragraph (3)(a)(b) shall be omitted.
5. In article 5—  
 (a) in paragraph (2)—  
 (i) “a supply, acquisition or importation of any goods, or on” and “on a supply by him of the goods in question not being a letting on hire or” shall be omitted; and  
 (ii) for sub-paragraphs (a) and (b) there shall be substituted—  
 “(a) the consideration for which the services are supplied by him, over (b) the consideration for which the services were supplied to him,”; and  
 (b) paragraph (4) shall be omitted.
6. In article 7—  
 (a) in paragraph (2)(c) after sub-paragraph (a) there shall be inserted—  
 “(aa) the motor car forms part of the stock in trade of a motor manufacturer or a motor dealer;”;
- (b) in paragraph (2A)(d) after “paragraph (2)(a)” there shall be added “and (b)”; and
- (c) paragraphs (4)(e) and (5) shall be omitted.

*Bob Ainsworth*  
*Clive Betts*

26th October 1999

Two of the Lords Commissioners of Her Majesty’s Treasury

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(a) The definition of “second-hand goods” was inserted by article 3 of S.I. 1995/1267.  
 (b) Article 4 was substituted by article 4 of S.I. 1995/1267 and paragraph (3)(aa) was inserted by article 3 of S.I. 1995/1666.  
 (c) Paragraph (2) was substituted by article 5 of S.I. 1995/1666.  
 (d) Paragraph (2A) was inserted by article 6 of S.I. 1995/1666.  
 (e) Paragraph 4 was amended by article 7 of S.I. 1995/281 and article 8 of S.I. 1995/1666.

## EXPLANATORY NOTE

*(This note is not part of the Order)*

This Order amends the Value Added Tax (Input Tax) Order 1992 (S.I. 1992/3222) (the Input Tax Order). Part of the changes take effect on 1st December 1999 and part on 1st March 2000.

The Input Tax Order restricts persons from claiming VAT recovery on most business cars, goods and services used for business entertainment and fixtures in new homes. The Order amends the definition of “motor car” in the Input Tax Order, removes motor manufacturers’ and dealers’ stock-in-trade cars from restriction of VAT recovery and abolishes requirements for persons to account for VAT on the disposal of goods on which they were ineligible for VAT recovery.

Article 3 of the Order amends article 2 of the Input Tax Order to remove London-type taxis and twelve seater vehicles that do not meet road safety regulations from the exceptions to the definition of “motor car”. It adds to the exceptions to the definition vehicles that have a payload of one tonne or more. Article 3 also inserts definitions of “motor manufacturer”, “motor dealer” and “stock in trade”. A redundant definition of “printed matter” is deleted. This change takes effect from 1st December 1999.

Article 4 of the Order deletes paragraph 3(aa) in article 4 of the Input Tax Order. The paragraph concerns the input tax margin scheme for cars contained in paragraph 4 of article 7 of the Input Tax Order. As the scheme is abolished by virtue of article 6 of this Order, paragraph 3(aa) is no longer necessary. This change takes effect from 1st March 2000.

Article 5 of the Order amends article 5 of the Input Tax Order which requires people to account for VAT on the profit margin when they dispose of goods used for business entertainment, on which they have not recovered input tax (the “input tax margin scheme”). The amendment abolishes that requirement. The input tax margin scheme remains for disposals of services used for business entertainment. This change takes effect from 1st March 2000.

Article 6 of the Order abolishes a similar input tax margin scheme for cars in paragraph 4 of article 7 of the Input Tax Order. The input tax margin schemes for goods are replaced by a new exemption in the Value Added Tax (Supplies of Goods where Input Tax cannot be recovered) Order 1999 (S.I. 1999/2833). This change takes effect from 1st March 2000.

Article 6 of the Order also inserts a new sub-paragraph (aa) into paragraph (2) of article 7 of the Input Tax Order. The new sub-paragraph removes the stock in trade of a motor manufacturer or dealer from the scope of the input tax restriction on cars. Any private use of such vehicles will be subject to an output tax charge by virtue of paragraph 5(4) of Schedule 4 VAT Act 1994. This change takes effect from 1st December 1999.

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