

2006 No. 874

VALUE ADDED TAX

The Value Added Tax (Cars) (Amendment) Order 2006

Made - - - - 22nd March 2006

Laid before the House of Commons 22nd March 2006

Coming into force - - 13th April 2006

The Treasury make the following Order in exercise of the powers conferred by section 5(3) of the Value Added Tax Act 1994(a):

1. This Order may be cited as the Value Added Tax (Cars) (Amendment) Order 2006 and shall come into force on 13th April 2006 in relation to finance agreements entered into on or after that date.

2. The Value Added Tax (Cars) Order 1992(b) (“the principal Order”) is amended as follows.

3. After article 4(1A) insert—

“(1AA) Paragraph (1)(a) above shall not apply where adjustment, whether or not made under regulation 38 of the Value Added Regulations 1995(c), has taken account, or may later take account, of VAT on the initial supply under the finance agreement as a result of repossession and the motor car delivered under that agreement was delivered on or after 1st September 2006.”

4. For the purposes of article 1 above, “finance agreement” has the meaning given in article 2(1) of the principal Order.

Tom Watson

Dave Watts

22nd March 2006

Two of the Lords Commissioners of Her Majesty’s Treasury

(a) 1994 c. 23.

(b) S.I. 1992/3122; relevant amending instruments are S.I. 1995/1269, 1995/1667.

(c) S.I. 1995/2518 as amended by S.I. 1997/1086.

EXPLANATORY NOTE

(This note is not part of the Order)

This Order, which comes into force on 13th April 2006, amends the Value Added Tax (Cars) Order 1992 (S.I. 1992/3122) in relation to finance agreements entered into on or after that date.

Article 4(1)(a) of the Value Added Tax (Cars) Order 1992 treats as neither a supply of goods nor a supply of services, the disposal of a motor car by a person who repossessed it under the terms of a finance agreement, provided certain conditions are met.

Article 3 of this Order introduces an exception to this treatment where the supplier makes an adjustment in the consideration accounted for on the original sale, whether that adjustment is required to be made under regulation 38 of the Value Added Tax Regulations 1995(S.I. 1995/2518) or is made in any other way.

Article 3 of this Order also limits the application of this exception to agreements where the motor cars delivered under those agreements are delivered on or after 1st September 2006.

Article 4 defines what is a finance agreement for the purposes of the commencement of this Order.

A full regulatory impact assessment of the effect that this instrument will have on the costs of business is available from HM Revenue and Customs, 100 Parliament Street, London SW1A 2BQ.

£3.00

© Crown copyright 2006

Printed and published in the UK by The Stationery Office Limited
under the authority and superintendence of Carol Tullo, Controller of Her Majesty's
Stationery Office and Queen's Printer of Acts of Parliament.

E0475 3/2006 160475T 19585