

---

STATUTORY INSTRUMENTS

---

**2007 No. 3099**

**The Value Added Tax (Amendment) (No. 7) Regulations 2007**

4. After regulation 116 insert—

**“PART 15A**

**GOODS USED FOR NON-BUSINESS  
PURPOSES DURING THEIR ECONOMIC LIFE**

**Application**

**116A.** This Part makes provision for calculating the full cost to a person of providing the supply of services (“relevant supply”) that is treated as made pursuant to paragraph 5(4) of Schedule 4 to the Act where goods that are held or used for the purposes of a business are used for private or non-business purposes. Where goods that are held or used for the purposes of a business have an economic life (see regulations 116C, 116D, 116G and 116L) at the time when they are used for private or non-business purposes, the value or part of the value of the relevant supply which is referable to that use on or after 1st November 2007 shall be calculated in accordance with the regulations in this Part.

**Interpretation of this Part**

**116B.**—(1) In this Part—

“full cost of the goods” means the full cost of the goods to the person (being the person making the relevant supply or any of his predecessors) who, in relation to the VAT on the goods mentioned in paragraph 5(5) of Schedule 4 to the Act, is described in that paragraph as being entitled to-

- (a) credit under sections 25 and 26 of the Act; or
- (b) a repayment under the scheme made under section 39 of the Act;

“goods” includes land forming part of the assets of, or held or used for the purposes of, a business which is treated as goods for the purposes of paragraph 5 of Schedule 4 to the Act by virtue of paragraph 9 of that Schedule and references to goods being held or used for the purposes of a business shall be construed accordingly;

“predecessor” has the same meaning as it does in paragraph 5 of Schedule 4 to the Act.

(2) In this Part, references to a period of time comprising a number of months shall be computed to two decimal places where that period does not comprise a whole number of months.

**Economic life of goods**

**116C.** Goods held or used for the purposes of a business have an economic life being (subject to regulations 116G and 116L) the period of time commencing on the day when

they are first used for any purpose after they have been supplied to, or acquired or imported by, a person or any of his predecessors and lasting for a period of

- (a) 120 months in the case of land, a building or part of a building (but this is subject to regulation 116D);
- (b) 60 months for all other goods.

**116D.** Where the economic life of the interest of a person, or any of his predecessors, in land, a building or part of a building commences at a time when that interest has less than 120 months to run at that time, it shall be limited to the number of months remaining before expiry of that interest and element B of the formula in regulation 116E and element D of the formula in regulation 116L shall be construed accordingly.

### **Value of a relevant supply**

**116E.** Subject to regulations 116F, 116H and 116I, the value of a relevant supply is the amount determined using the formula

$$\frac{A}{B} \times (C \times U\%)$$

where—

A is the number of months in the prescribed accounting period during which the relevant supply occurs which fall within the economic life of the goods concerned;

B is the number of months of the economic life of the goods concerned or, in the case of an economic life commencing on 1st November 2007 by virtue of regulation 116L, what would have been its duration if it had been determined according to regulation 116C or 116G as appropriate;

C is the full cost of the goods excluding any increase resulting from a supply of goods or services giving rise to a new economic life; and

U% is the extent, expressed as a percentage, to which the goods are put to any private use or used, or made available for use, for non-business purposes as compared with the total use made of the goods during the part of the prescribed accounting period occurring within the economic life of the goods.

**116F.** Where a prescribed accounting period in which a relevant supply occurs immediately follows a prescribed accounting period during which the goods whose use gives rise to that supply were not used or made available for use for any purpose, element “A” of the formula in regulation 116E shall (without prejudice to any other element of the formula) comprise the total number of months falling within the economic life concerned covered by

- (a) the prescribed accounting period in which the relevant supply occurs; and
- (b) all preceding prescribed accounting periods which commence after the end of the prescribed accounting period during which the goods were last used or made available for use for any purpose before the prescribed accounting period in which the relevant supply occurs.

### **Later increase in the full cost of goods**

**116G.** Where

- (a) a supply of goods or services is made to a person or any of his predecessors in respect of any goods held or used for the purposes of a business (whether or not the goods have an economic life in relation to that person at that time);

- (b) VAT is chargeable on that supply which is eligible (in whole or part) for credit under sections 25 and 26 of the Act or repayment under section 39 of the Act; and
- (c) by virtue of that supply, the full cost of the goods is greater than their full cost immediately before that supply,

a new economic life shall, without prejudice to any other economic life having effect in relation to those goods, be treated as commencing in respect of them in accordance with regulation 116C as if they had been supplied, acquired or imported at the time when the supply of goods or services is made.

#### **Value of relevant supplies made during a new economic life**

**116H.** Subject to regulation 116I, the calculation of the value of a relevant supply made during a new economic life in accordance with the formula in regulation 116E is varied so that

C is the increase in the full cost of the goods resulting from the supply of the goods or services giving rise to the new economic life; and

U% is the extent, expressed as a percentage, to which the goods are put to any private use or used, or made available for use, for non-business purposes as compared with the total use made of the goods during the part of the prescribed accounting period occurring during the new economic life of the goods.

#### **Value of relevant supplies of goods which have two or more economic lives**

**116I.** Where a relevant supply occurs in relation to goods that have two or more economic lives at the time when they are put to private use or used, or made available for use, for non-business purposes, the value of that supply shall be such amount as represents the total of the amounts calculated in accordance with regulation 116E (as varied by regulation 116H as appropriate) in respect of those economic lives.

#### **Transitional provisions**

**116J.** Regulation 116L applies to an economic life that

- (a) would be treated as commencing before 1st November 2007 if that regulation did not apply; and
- (b) relates to goods that, before that day, have been put to any private use or used, or made available for use, for non-business purposes by the person described in regulation 116K or any of his predecessors (whether or not a relevant supply arising from that use has been treated as made before that day).

**116K.** The person referred to in regulation 116J(b) is the person who holds or uses the goods concerned for the purposes of his business on 1st November 2007.

**116L.** An economic life of goods to which this regulation applies shall be treated as commencing on 1st November 2007 and lasting for the period of time determined using the formula

$$D \times \frac{(E - F)}{E}$$

where—

D is the number of months which would have been the duration of the economic life concerned if it had commenced in accordance with regulation 116C or had been treated as having commenced in accordance with that regulation by virtue of regulation 116G;

E is the value of element “C” of the formula contained in regulation 116E (as varied where appropriate in relation to that economic life by regulation 116H) for the purpose of determining the whole or, where the use occurs at a time when the goods have two or more economic lives at that time, part of the value of a relevant supply arising from the use of the goods during the economic life concerned;

F is the value determined using the formula—

$$\frac{G \times 100}{X \% \times 100}$$

where—

G is the total value of relevant supplies of the goods on which VAT has been or will be accounted for in respect of such relevant supplies arising from the goods being put to any private use or used, or made available for use, for non-business purposes before 1st November 2007 (whether or not such supplies are treated as made before or after that day) to the extent that the value of the relevant supplies comprised in the total value was determined by reference to the value of element “E” of the formula used in this regulation in respect of the economic life concerned; and

X% is the extent, expressed as a percentage, to which the goods have been put to any private use or used, or made available for use, for non-business purposes during the period described in regulation 116M as compared with the total use made of the goods in that period.

**116M.** The period referred to in regulation 116L is the period of time commencing at the time when the economic life concerned would have commenced if it had commenced in accordance with regulation 116C or had been treated as having commenced in accordance with that regulation by virtue of regulation 116G and ending immediately before 1st November 2007.

**116N.** Where a person has claimed deduction of input tax on goods which was incurred within the period of two years ending on 21st March 2007, he may withdraw that claim in whole or part as if it were made in error (but not so as to render him liable to any penalty or payment of interest in respect of that claim) provided that

- (a) the goods have not been used for any purpose before the claim is withdrawn;
- (b) he intends or expects that the goods will be put to private or non-business purposes during their economic life;
- (c) the withdrawal is in respect of-
  - (i) all of the input tax claimed on the goods; or
  - (ii) the part of the input tax claimed on the goods which is referable to his intended use of those goods for purposes other than those of his business; and
- (d) the withdrawal is made in accordance with regulation 35 (whatever the amount of the claim that is withdrawn) before 1st February 2008.”.