
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations, which come into force on 1st April 2010, amend Parts 5 (accounting, payment and records) and 14 (input tax and partial exemption) of the Value Added Tax Regulations 1995 (S.I. 1995/2518).

Regulation 3 amends regulation 25A to correct a drafting error and provide consistent terminology.

Regulations 4 and 5 amend regulations 101(1) and 102(1) respectively to make it clear that, when either new regulation 105A (inserted by regulation 6) or new regulation 106ZA (inserted by regulation 8) applies, the calculations that would normally be required by regulation 101 or 102 should not be carried out.

Regulation 6 inserts a new regulation 105A which provides a simplified method for calculating whether a taxable person is “de minimis” and therefore able to recover all of his input tax which relates to exempt supplies.

Regulation 7 amends regulation 106(1) to make it clear that it only applies where new regulation 105A does not apply and to make it subject to regulation 106ZA(1).

Regulation 8 inserts a new regulation 106ZA which allows a taxable person who has satisfied the “de minimis” test in relation to a longer period and does not expect his input tax to exceed £1,000,000 in the next longer period applicable to him to proceed on the assumption that he is “de minimis” in that next longer period provided that he proceeds on that assumption for the whole of that longer period.

Regulation 9 makes amendments to regulation 107 to take account of new regulations 105A and 106ZA requiring an adjustment where appropriate.

A full Impact Assessment of the effect that this instrument (other than the changes effected by regulation 3) will have on the costs of business and the voluntary sector is available from H M Revenue and Customs, 100 Parliament Street, London SW1A 2BQ and is annexed to the Explanatory Memorandum which is available alongside the instrument on the OPSI website (<http://www.opsi.gov.uk>).