
EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations amend Part 3 (VAT invoices and other invoicing requirements) and Part 5 (accounting, payment and records) of the Value Added Tax Regulations 1995 (S.I 1995/2518: “the Principal Regulations”).

VAT registered traders are required to account for VAT on supplies of goods and services calculated by reference to the price payable for those supplies. In cases where the price of the supply increases or decreases after the supply has been made, adjustments must be made under provisions in Part 5 of the Principal Regulations. These Regulations make changes in relation to such adjustments and introduce new rules in relation to the accounting documents that the supplier is required to provide to the recipient of a supply.

Regulations 1 and 2 provide for citation, commencement and effect.

Regulation 4 introduces new requirements for the provision by the supplier of debit notes and credit notes to the recipient of a supply when there are increases or decreases in consideration.

Regulations 5 and 6 make provision for the definition of increases and decreases in consideration and when they are to be treated as occurring for the purposes of the Principal Regulations.

Regulation 7 amends regulation 31 of the Principal Regulations to reflect the changes made by regulation 4.

Regulation 8 amends regulation 38 of the Principal Regulations to reflect the changes made by regulations 4 to 6 and to make it clear that, whilst making an adjustment for an increase or decrease in consideration is not, in itself, the correction of an error, any failure to make such an adjustment in the prescribed accounting period in which it is required to be made will result in an error which must then be corrected.

Regulation 9 amends regulation 38A of the Principal Regulations by making consequential amendments and by adding clarification in relation to error correction similar to that made by regulation 8.

A Tax Information and Impact Note was published on 19th March 2019 alongside the draft legislation and is available on the website at <https://www.gov.uk/government/consultations/amendment-to-vat-regulation-38-statutory-instrument-technical-consultation>. It remains an accurate summary of the impacts that apply to this instrument.