



Value Added Tax Act 1994

1994 CHAPTER 23

PART I

THE CHARGE TO TAX

Payment of VAT by taxable persons

24 Input tax and output tax.

- (1) Subject to the following provisions of this section, “input tax”, in relation to a taxable person, means the following tax, that is to say—
- (a) VAT on the supply to him of any goods or services;
 - (b) ^{F1}...; and
 - (c) VAT paid or payable by him on the importation of any goods ^{F2}..., being (in each case) goods or services used or to be used for the purpose of any business carried on or to be carried on by him.

- (2) Subject to the following provisions of this section, “output tax”, in relation to a taxable person, means VAT on supplies which he makes ^{F3}....

^{F4}(3)

- (4) The Treasury may by order provide with respect to any description of goods or services that, where goods or services of that description are supplied to a person who is not a taxable person, they shall, in such circumstances as may be specified in the order, be treated for the purposes of subsections (1) and (2) above as supplied to such other person as may be determined in accordance with the order.

- (5) Where goods or services supplied to a taxable person ^{F5}... or goods imported by a taxable person ^{F6}... are used or to be used partly for the purposes of a business carried on or to be carried on by him and partly for other purposes [^{F7}—

- (a) VAT on supplies ^{F8}... and importations shall be apportioned so that so much as is referable to the taxable person's business purposes is counted as that person's input tax, and

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- (b) the remainder of that VAT (“the non-business VAT”) shall count as that person's input tax only to the extent (if any) provided for by regulations under subsection (6)(e).]

[^{F9}(5A) For the purposes of subsections (1) and (5), a relevant asset held for the purposes of a business carried on or to be carried on by a taxable person is not, in any circumstances, to be regarded as used or to be used for the purposes of the business if, and to the extent that, it is used or to be used for that person's private use or the private use of that person's staff.

(5B) In subsection (5A) “relevant asset” means—

- (a) any interest in land,
- (b) any building or part of a building,
- (c) any civil engineering work or part of such a work,
- (d) any goods incorporated or to be incorporated in a building or civil engineering work (whether by being installed as fixtures or fittings or otherwise),
- (e) any ship, boat or other vessel, or
- (f) any aircraft.]

(6) Regulations may provide—

- (a) for VAT on the supply of goods or services to a taxable person^{F10}... and VAT paid or payable by a taxable person on the importation of goods^{F11}... to be treated as his input tax only if and to the extent that the charge to VAT is evidenced and quantified by reference to such documents [^{F12}or other information] as may be specified in the regulations or the Commissioners may direct either generally or in particular cases or classes of cases;
- (b) for a taxable person to count as his input tax, in such circumstances, to such extent and subject to such conditions as may be prescribed, VAT on the supply to him of goods or services^{F13}... or paid by him on the importation of goods^{F14}... notwithstanding that he was not a taxable person at the time of the supply^{F15}... or payment;
- (c) for a taxable person that is a body corporate to count as its input tax, in such circumstances, to such extent and subject to such conditions as may be prescribed, VAT on the supply^{F16}... or importation of goods before the company's incorporation for appropriation to the company or its business or on the supply of services before that time for its benefit or in connection with its incorporation;
- (d) in the case of a person who has been, but is no longer, a taxable person, for him to be paid by the Commissioners the amount of any VAT on a supply of services made to him for the purposes of the business carried on by him when he was a taxable person.
- [^{F17}(e) in cases where an apportionment is made under subsection (5), for the non-business VAT to be counted as the taxable person's input tax for the purposes of any provision made by or under section 26 in such circumstances, to such extent and subject to such conditions as may be prescribed.]

[^{F18}(6A) Regulations under subsection (6) may contain such supplementary, incidental, consequential and transitional provisions as appear to the Commissioners to be necessary or expedient.]

^{F19}(7)

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Textual Amendments

- F1** S. 24(1)(b) omitted (31.12.2020) by virtue of [Taxation \(Cross-border Trade\) Act 2018 \(c. 22\)](#), s. 57(3), [Sch. 8 para. 24\(2\)\(a\)](#) (with [Sch. 8 para. 99](#)) (with savings and transitional provisions in S.I. 2019/105 (as amended by S.I. 2020/1495, regs. 1(2), [21](#)), S.I. 2020/1545, [Pt. 4](#) and 2020 c. 26, [Sch. 2 para. 7\(7\)–\(9\)](#)); S.I. 2020/1642, [reg. 4\(b\)](#) (with [reg. 7](#))
- F2** Words in s. 24(1)(c) omitted (31.12.2020) by virtue of [Taxation \(Cross-border Trade\) Act 2018 \(c. 22\)](#), s. 57(3), [Sch. 8 para. 24\(2\)\(b\)](#) (with [Sch. 8 para. 99](#)) (with savings and transitional provisions in S.I. 2019/105 (as amended by S.I. 2020/1495, regs. 1(2), [21](#)), S.I. 2020/1545, [Pt. 4](#) and 2020 c. 26, [Sch. 2 para. 7\(7\)–\(9\)](#)); S.I. 2020/1642, [reg. 4\(b\)](#) (with [reg. 7](#))
- F3** Words in s. 24(2) omitted (31.12.2020) by virtue of [Taxation \(Cross-border Trade\) Act 2018 \(c. 22\)](#), s. 57(3), [Sch. 8 para. 24\(3\)](#) (with [Sch. 8 para. 99](#)) (with savings and transitional provisions in S.I. 2019/105 (as amended by S.I. 2020/1495, regs. 1(2), [21](#)), S.I. 2020/1545, [Pt. 4](#) and 2020 c. 26, [Sch. 2 para. 7\(7\)–\(9\)](#)); S.I. 2020/1642, [reg. 4\(b\)](#) (with [reg. 7](#))
- F4** S. 24(3) omitted (with application in accordance with [Sch. 8 para. 1\(8\)\(9\)](#) of the amending Act) by virtue of [Finance \(No. 3\) Act 2010 \(c. 33\)](#), [Sch. 8 para. 1\(2\)\(8\)](#)
- F5** Words in s. 24(5) omitted (31.12.2020) by virtue of [Taxation \(Cross-border Trade\) Act 2018 \(c. 22\)](#), s. 57(3), [Sch. 8 para. 24\(4\)\(a\)\(i\)](#) (with [Sch. 8 para. 99](#)) (with savings and transitional provisions in S.I. 2019/105 (as amended by S.I. 2020/1495, regs. 1(2), [21](#)), S.I. 2020/1545, [Pt. 4](#) and 2020 c. 26, [Sch. 2 para. 7\(7\)–\(9\)](#)); S.I. 2020/1642, [reg. 4\(b\)](#) (with [reg. 7](#))
- F6** Words in s. 24(5) omitted (31.12.2020) by virtue of [Taxation \(Cross-border Trade\) Act 2018 \(c. 22\)](#), s. 57(3), [Sch. 8 para. 24\(4\)\(a\)\(ii\)](#) (with [Sch. 8 para. 99](#)) (with savings and transitional provisions in S.I. 2019/105 (as amended by S.I. 2020/1495, regs. 1(2), [21](#)), S.I. 2020/1545, [Pt. 4](#) and 2020 c. 26, [Sch. 2 para. 7\(7\)–\(9\)](#)); S.I. 2020/1642, [reg. 4\(b\)](#) (with [reg. 7](#))
- F7** Words in s. 24(5) substituted (16.12.2010) by [Finance \(No. 3\) Act 2010 \(c. 33\)](#), [Sch. 8 para. 1\(3\)](#)
- F8** Words in s. 24(5)(a) omitted (31.12.2020) by virtue of [Taxation \(Cross-border Trade\) Act 2018 \(c. 22\)](#), s. 57(3), [Sch. 8 para. 24\(4\)\(b\)](#) (with [Sch. 8 para. 99](#)) (with savings and transitional provisions in S.I. 2019/105 (as amended by S.I. 2020/1495, regs. 1(2), [21](#)), S.I. 2020/1545, [Pt. 4](#) and 2020 c. 26, [Sch. 2 para. 7\(7\)–\(9\)](#)); S.I. 2020/1642, [reg. 4\(b\)](#) (with [reg. 7](#))
- F9** S. 24(5A)(5B) inserted (with application in accordance with [Sch. 8 para. 1\(8\)\(9\)](#) of the amending Act) by [Finance \(No. 3\) Act 2010 \(c. 33\)](#), [Sch. 8 para. 1\(4\)\(8\)](#)
- F10** Words in s. 24(6)(a) omitted (31.12.2020) by virtue of [Taxation \(Cross-border Trade\) Act 2018 \(c. 22\)](#), s. 57(3), [Sch. 8 para. 24\(5\)\(a\)\(i\)](#) (with [Sch. 8 para. 99](#)) (with savings and transitional provisions in S.I. 2019/105 (as amended by S.I. 2020/1495, regs. 1(2), [21](#)), S.I. 2020/1545, [Pt. 4](#) and 2020 c. 26, [Sch. 2 para. 7\(7\)–\(9\)](#)); S.I. 2020/1642, [reg. 4\(b\)](#) (with [reg. 7](#))
- F11** Words in s. 24(6)(a) omitted (31.12.2020) by virtue of [Taxation \(Cross-border Trade\) Act 2018 \(c. 22\)](#), s. 57(3), [Sch. 8 para. 24\(5\)\(a\)\(ii\)](#) (with [Sch. 8 para. 99](#)) (with savings and transitional provisions in S.I. 2019/105 (as amended by S.I. 2020/1495, regs. 1(2), [21](#)), S.I. 2020/1545, [Pt. 4](#) and 2020 c. 26, [Sch. 2 para. 7\(7\)–\(9\)](#)); S.I. 2020/1642, [reg. 4\(b\)](#) (with [reg. 7](#))
- F12** Words in s. 24(6)(a) inserted (retrospective to 10.4.2003) by [Finance Act 2003 \(c. 14\)](#), s. 17(2)(8)
- F13** Words in s. 24(6)(b) omitted (31.12.2020) by virtue of [Taxation \(Cross-border Trade\) Act 2018 \(c. 22\)](#), s. 57(3), [Sch. 8 para. 24\(5\)\(b\)\(i\)](#) (with [Sch. 8 para. 99](#)) (with savings and transitional provisions in S.I. 2019/105 (as amended by S.I. 2020/1495, regs. 1(2), [21](#)), S.I. 2020/1545, [Pt. 4](#) and 2020 c. 26, [Sch. 2 para. 7\(7\)–\(9\)](#)); S.I. 2020/1642, [reg. 4\(b\)](#) (with [reg. 7](#))
- F14** Words in s. 24(6)(b) omitted (31.12.2020) by virtue of [Taxation \(Cross-border Trade\) Act 2018 \(c. 22\)](#), s. 57(3), [Sch. 8 para. 24\(5\)\(b\)\(ii\)](#) (with [Sch. 8 para. 99](#)) (with savings and transitional provisions in S.I. 2019/105 (as amended by S.I. 2020/1495, regs. 1(2), [21](#)), S.I. 2020/1545, [Pt. 4](#) and 2020 c. 26, [Sch. 2 para. 7\(7\)–\(9\)](#)); S.I. 2020/1642, [reg. 4\(b\)](#) (with [reg. 7](#))
- F15** Word in s. 24(6)(b) omitted (31.12.2020) by virtue of [Taxation \(Cross-border Trade\) Act 2018 \(c. 22\)](#), s. 57(3), [Sch. 8 para. 24\(5\)\(b\)\(iii\)](#) (with [Sch. 8 para. 99](#)) (with savings and transitional provisions in S.I. 2019/105 (as amended by S.I. 2020/1495, regs. 1(2), [21](#)), S.I. 2020/1545, [Pt. 4](#) and 2020 c. 26, [Sch. 2 para. 7\(7\)–\(9\)](#)); S.I. 2020/1642, [reg. 4\(b\)](#) (with [reg. 7](#))

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- F16** Word in s. 24(6)(c) omitted (31.12.2020) by virtue of [Taxation \(Cross-border Trade\) Act 2018 \(c. 22\)](#), s. 57(3), **Sch. 8 para. 24(6)(c)** (with [Sch. 8 para. 99](#)) (with savings and transitional provisions in [S.I. 2019/105](#) (as amended by [S.I. 2020/1495](#), regs. 1(2), **21**), [S.I. 2020/1545](#), **Pt. 4** and [2020 c. 26](#), **Sch. 2 para. 7(7)–(9)**); [S.I. 2020/1642](#), **reg. 4(b)** (with [reg. 7](#))
- F17** S. 24(6)(e) inserted (16.12.2010) by [Finance \(No. 3\) Act 2010 \(c. 33\)](#), **Sch. 8 para. 1(5)**
- F18** S. 24(6A) inserted (16.12.2010) by [Finance \(No. 3\) Act 2010 \(c. 33\)](#), **Sch. 8 para. 1(6)**
- F19** S. 24(7) omitted (with application in accordance with [Sch. 8 para. 1\(8\)\(9\)](#) of the amending Act) by virtue of [Finance \(No. 3\) Act 2010 \(c. 33\)](#), **Sch. 8 para. 1(7)(8)**

25 **Payment by reference to accounting periods and credit for input tax against output tax.**

- (1) A taxable person shall—
- (a) in respect of supplies made by him, ^{F20}...
 - ^{F20}(b)
account for and pay VAT by reference to such periods (in this Act referred to as “prescribed accounting periods”) at such time and in such manner as may be determined by or under regulations and regulations may make different provision for different circumstances.
- (2) Subject to the provisions of this section, he is entitled at the end of each prescribed accounting period to credit for so much of his input tax as is allowable under section 26, and then to deduct that amount from any output tax that is due from him.
- (3) If either no output tax is due at the end of the period, or the amount of the credit exceeds that of the output tax then, subject to subsections (4) and (5) below, the amount of the credit or, as the case may be, the amount of the excess shall be paid to the taxable person by the Commissioners; and an amount which is due under this subsection is referred to in this Act as a “VAT credit”.
- (4) The whole or any part of the credit may, subject to and in accordance with regulations, be held over to be credited in and for a subsequent period; and the regulations may allow for it to be so held over either on the taxable person’s own application or in accordance with general or special directions given by the Commissioners from time to time.
- (5) Where at the end of any period a VAT credit is due to a taxable person who has failed to submit returns for any earlier period as required by this Act, the Commissioners may withhold payment of the credit until he has complied with that requirement.
- (6) A deduction under subsection (2) above and payment of a VAT credit shall not be made or paid except on a claim made in such manner and at such time as may be determined by or under regulations; and, in the case of a person who has made no taxable supplies in the period concerned or any previous period, payment of a VAT credit shall be made subject to such conditions (if any) as the Commissioners think fit to impose, including conditions as to repayment in specified circumstances.
- (7) The Treasury may by order provide, in relation to such supplies ^{F21}... and importations as the order may specify, that VAT charged on them is to be excluded from any credit under this section; and—
- (a) any such provision may be framed by reference to the description of goods or services supplied or goods ^{F22}... imported, the person by whom they are supplied ^{F22}... or imported or to whom they are supplied, the purposes for

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which they are supplied ^{F22}... or imported, or any circumstances whatsoever;
and

- (b) such an order may contain provision for consequential relief from output tax.

Textual Amendments

- F20** S. 25(1)(b) omitted (31.12.2020) by virtue of [Taxation \(Cross-border Trade\) Act 2018 \(c. 22\)](#), s. 57(3), [Sch. 8 para. 25\(2\)](#) (with [Sch. 8 para. 99](#)) (with savings and transitional provisions in [S.I. 2019/105](#) (as amended by [S.I. 2020/1495](#), regs. 1(2), [21](#)), [S.I. 2020/1545](#), [Pt. 4](#) and 2020 c. 26, [Sch. 2 para. 7\(7\)-\(9\)](#)); [S.I. 2020/1642](#), [reg. 4\(b\)](#) (with [reg. 7](#))
- F21** Word in s. 25(7) omitted (31.12.2020) by virtue of [Taxation \(Cross-border Trade\) Act 2018 \(c. 22\)](#), s. 57(3), [Sch. 8 para. 25\(3\)\(a\)](#) (with [Sch. 8 para. 99](#)) (with savings and transitional provisions in [S.I. 2019/105](#) (as amended by [S.I. 2020/1495](#), regs. 1(2), [21](#)), [S.I. 2020/1545](#), [Pt. 4](#) and 2020 c. 26, [Sch. 2 para. 7\(7\)-\(9\)](#)); [S.I. 2020/1642](#), [reg. 4\(b\)](#) (with [reg. 7](#))
- F22** Words in s. 25(7)(a) omitted (31.12.2020) by virtue of [Taxation \(Cross-border Trade\) Act 2018 \(c. 22\)](#), s. 57(3), [Sch. 8 para. 25\(3\)\(b\)](#) (with [Sch. 8 para. 99](#)) (with savings and transitional provisions in [S.I. 2019/105](#) (as amended by [S.I. 2020/1495](#), regs. 1(2), [21](#)), [S.I. 2020/1545](#), [Pt. 4](#) and 2020 c. 26, [Sch. 2 para. 7\(7\)-\(9\)](#)); [S.I. 2020/1642](#), [reg. 4\(b\)](#) (with [reg. 7](#))

Modifications etc. (not altering text)

- C1** S. 25(6) modified (retrospective to 19.3.2008) by [Finance Act 2008 \(c. 9\)](#), s. [121\(2\)\(4\)](#)

26 Input tax allowable under section 25.

- (1) The amount of input tax for which a taxable person is entitled to credit at the end of any period shall be so much of the input tax for the period (that is input tax on supplies ^{F23}... and importations in the period) as is allowable by or under regulations as being attributable to supplies within subsection (2) below.
- (2) The supplies within this subsection are the following supplies made or to be made by the taxable person in the course or furtherance of his business—
- (a) taxable supplies;
 - (b) supplies outside the United Kingdom which would be taxable supplies if made in the United Kingdom;
 - (c) such other supplies outside the United Kingdom and such exempt supplies as the Treasury may by order specify for the purposes of this subsection.
- (3) The Commissioners shall make regulations for securing a fair and reasonable attribution of input tax to supplies within subsection (2) above, and any such regulations may provide for—
- (a) determining a proportion by reference to which input tax for any prescribed accounting period is to be provisionally attributed to those supplies;
 - (b) adjusting, in accordance with a proportion determined in like manner for any longer period comprising two or more prescribed accounting periods or parts thereof, the provisional attribution for any of those periods;
 - (c) the making of payments in respect of input tax, by the Commissioners to a taxable person (or a person who has been a taxable person) or by a taxable person (or a person who has been a taxable person) to the Commissioners, in cases where events prove inaccurate an estimate on the basis of which an attribution was made; and

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- (d) preventing input tax on a supply which, under or by virtue of any provision of this Act, a person makes to himself from being allowable as attributable to that supply.
- (4) Regulations under subsection (3) above may make different provision for different circumstances and, in particular (but without prejudice to the generality of that subsection) for different descriptions of goods or services; and may contain such incidental^{F24}, supplementary, consequential and transitional provisions as appear to the Commissioners necessary or expedient.

Textual Amendments

- F23** Word in s. 26(1) omitted (31.12.2020) by virtue of [Taxation \(Cross-border Trade\) Act 2018 \(c. 22\)](#), s. 57(3), [Sch. 8 para. 26](#) (with [Sch. 8 para. 99](#)) (with savings and transitional provisions in [S.I. 2019/105](#) (as amended by [S.I. 2020/1495](#), [regs. 1\(2\), 21](#)), [S.I. 2020/1545](#), [Pt. 4](#) and [2020 c. 26](#), [Sch. 2 para. 7\(7\)-\(9\)](#)); [S.I. 2020/1642](#), [reg. 4\(b\)](#) (with [reg. 7](#))
- F24** Words in s. 26(4) substituted (16.12.2010) by [Finance \(No. 3\) Act 2010 \(c. 33\)](#), [Sch. 8 para. 2](#)

Modifications etc. (not altering text)

- C2** S. 26 excluded (27.7.1999) by [1999 c. 16](#), [s. 13\(1\)](#)

^{F25}26A Disallowance of input tax where consideration not paid

- (1) Where—
 - (a) a person has become entitled to credit for any input tax, and
 - (b) the consideration for the supply to which that input tax relates, or any part of it, is unpaid at the end of the period of 6 months following the relevant date,
 he shall be taken, as from the end of that period, not to have been entitled to credit for input tax in respect of the VAT that is referable to the unpaid consideration or part.

[Subsection (1) is subject to section 26AA (disapplication of disallowance under ^{F26}(1A) section 26A in insolvency).]

- (2) For the purposes of subsection (1) above “the relevant date”, in relation to any sum representing consideration for a supply, is—
 - (a) the date of the supply, or
 - (b) if later, the date on which the sum became payable.
- (3) Regulations may make such supplementary, incidental, consequential or transitional provisions as appear to the Commissioners to be necessary or expedient for the purposes of this section.
- (4) Regulations under this section may in particular—
 - (a) make provision for restoring the whole or any part of an entitlement to credit for input tax where there is a payment after the end of the period mentioned in subsection (1) above;
 - (b) make rules for ascertaining whether anything paid is to be taken as paid by way of consideration for a particular supply;
 - (c) make rules dealing with particular cases, such as those involving payment of part of the consideration or mutual debts.

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- (5) Regulations under this section may make different provision for different circumstances.
- (6) Section 6 shall apply for determining the time when a supply is to be treated as taking place for the purposes of construing this section.]

Textual Amendments

- F25** S. 26A inserted (with effect as mentioned in s. 22(3) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. [22\(1\)](#); S.I. 2002/3028, art. [2](#)
- F26** S. 26A(1A) inserted (with effect in accordance with art. 9 of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2017 \(S.I. 2017/495\)](#), arts. [1](#), [7\(2\)](#)

[^{F27}26A] Disapplication of disallowance under section 26A in insolvency

- (1) Section 26A(1) does not apply to a person in relation to credit for input tax which relates to a supply where—
- (a) at the time of the supply, no insolvency procedure had effect in relation to the person,
 - (b) at any time during the relevant period, an insolvency procedure had effect in relation to that person (“the insolvent person”), and
 - (c) the Commissioners have been notified in writing of the matter mentioned in paragraph (b) by or on behalf of a person authorised to deal with the insolvent person’s affairs.
- (2) But where the insolvency procedure mentioned in subsection (1)(b) is a bankruptcy order, award of sequestration, protected trust deed or voluntary arrangement and that bankruptcy order is annulled, that award of sequestration is recalled or that protected trust deed or voluntary arrangement has come to an end prematurely—
- (a) the disapplication of section 26A(1) by subsection (1) above ceases to have effect, and
 - (b) the person to which the bankruptcy order, award of sequestration, protected trust deed or voluntary arrangement relates is to be taken for the purposes of section 26A(1) as not being entitled to the credit for the input tax concerned as from whichever is the later of—
 - (i) the end of the relevant period, and
 - (ii) the date on which the bankruptcy order was annulled, the award of sequestration recalled or the protected trust deed or voluntary arrangement has come to an end prematurely.
- (3) Where the person mentioned in section 26A(1) is entitled as a member of a partnership to credit for input tax this section has effect as if—
- (a) the references in subsections (1)(a) and (b) to “the person” and “that person” were references to the partnership,
 - (b) the reference in subsection (1)(c) to “the insolvent person’s affairs” were a reference to the insolvent partnership’s affairs, and
 - (c) the reference in subsection (2)(b) to “the person”, in connection with a bankruptcy order or a voluntary arrangement, were a reference to the person who is a member of the partnership to which the bankruptcy order or voluntary arrangement relates.

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- (4) Subsection (1) does not apply where the insolvency procedure referred to in subsection (1)(b) has effect as part of, or as a consequence of, arrangements where the main purpose, or one of the main purposes, of those arrangements is to obtain a tax advantage by the operation of this section.
- (5) Regulations may make such supplementary, incidental, consequential or transitional provisions as appear to the Commissioners to be necessary or expedient for the purposes of this section.
- (6) For the purposes of this section “the relevant period”, in relation to a supply, is the period beginning immediately after the supply took place and ending six months after—
 - (a) the date of that supply, or
 - (b) if later, the date on which the relevant part of the consideration for the supply is payable.
- (7) For the purposes of subsection (6) the relevant part of the consideration is the part of the consideration referable to the credit for input tax which would (ignoring the effect of this section) be disallowed under section 26A(1).
- (8) For the purposes of this section an insolvency procedure has effect in relation to a person at a time when any of the following apply—
 - (a) a bankruptcy order has been made under Chapter 1 of Part 9 of the Insolvency Act 1986 in relation to that person and has not been annulled,
 - (b) a warrant has been granted for a petition for sequestration to be served on that person which has resulted in the sequestration of that person’s estate or an award of sequestration has been made on an application by that person, in both cases under section 22 of the Bankruptcy (Scotland) Act 2016, and in either case the award of sequestration has not been recalled,
 - (c) a bankruptcy order has been made under Chapter 1 of Part 9 of the Insolvency (Northern Ireland) Order 1989 in relation to that person and has not been annulled,
 - (d) where that person is a company registered under the Companies Act 2006 in England and Wales or Scotland or an unregistered company as defined in section 220 of the Insolvency Act 1986 which is deemed to be registered in England and Wales or Scotland under section 221 of that Act, a petition has been presented to the court which has resulted in a winding-up order being made under Chapter 6 of Part 4 or Part 5 of the Insolvency Act 1986 in relation to that person and that person has not been dissolved or that winding-up order has not been stayed or sisted,
 - (e) where that person is a company registered under the Companies Act 2006 in Northern Ireland, or an unregistered company as defined in article 184 of the Insolvency (Northern Ireland) Order 1989 which is deemed to be registered in Northern Ireland under article 185 of that Order, a petition has been presented to the court which has resulted in a winding-up order being made under Part 5 or Part 6 of the Insolvency (Northern Ireland) Order 1989 and that person has not been dissolved or that winding-up order has not been stayed,
 - (f) that person is in administration for the purposes of Schedule B1 to the Insolvency Act 1986 or Schedule B1 to the Insolvency (Northern Ireland) Order 1989,
 - (g) an appointment of an administrative receiver is in force in relation to that person disregarding any temporary vacancy in the office of receiver,

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- (h) an appointment of a liquidator is in force as a consequence of a creditors' voluntary winding up under Chapter 4 of Part 4 of the Insolvency Act 1986 or Chapter 4 of Part 5 of the Insolvency (Northern Ireland) Order 1989 in relation to that person disregarding any temporary vacancy in the office of liquidator,
- (i) a voluntary arrangement has been approved in accordance with Part 1 or Part 8 of the Insolvency Act 1986 or Part 2 or Chapter 2 of Part 8 of the Insolvency (Northern Ireland) Order 1989 in relation to that person and that voluntary arrangement has not come to an end prematurely,
- (j) a county court administration order has been made under Part 6 of the County Courts Act 1984 or Part 6 of the Judgments Enforcement (Northern Ireland) Order 1981 in relation to that person and has not ceased to take effect,
- (k) a compromise or arrangement sanctioned by the court and delivered to the registrar in accordance with section 899 of the Companies Act 2006 is in place in relation to that person,
- ^{F28} [(ka) a compromise or arrangement sanctioned by the court and delivered to the registrar or (as the case may be) published in the Gazette in accordance with section 901F of the Companies Act 2006 is in place in relation to that person,]
- (l) that person's estate is vested in any other person as that person's trustee under a trust deed and that trust deed has become a protected trust deed,
- (m) that person has died and an insolvency administration order has been made which has not been discharged in respect of that person's estate in accordance with an order under section 421 of the Insolvency Act 1986 or article 365 of the Insolvency (Northern Ireland) Order 1989 or that person's estate has been sequestrated under section 22 of the Bankruptcy (Scotland) Act 2016 and the award of sequestration has not been recalled,
- (n) a voluntary arrangement has been approved in accordance with Part 1 of the Insolvency Act 1986 as applied by Part 2 of the Insolvent Partnerships Order 1994 or Part 2 of the Insolvency (Northern Ireland) Order 1989 as applied by Part 2 of the Insolvent Partnerships Order (Northern Ireland) 1995 in relation to that person and that voluntary arrangement has not come to an end prematurely,
- (o) an appointment of a liquidator is in force as a consequence of a creditors' voluntary winding up under Chapter 4 of Part 4 of the Insolvency Act 1986 as applied by Parts 4 and 5 of the Insolvent Partnerships Order 1994, or Chapter 4 of Part 5 of the Insolvency (Northern Ireland) Order 1989 as applied by Part 4 of the Insolvent Partnerships Order (Northern Ireland) 1995 in relation to that person disregarding any temporary vacancy in the office of liquidator,
- (p) that person is in administration for the purposes of Schedule B1 to the Insolvency Act 1986 as applied by Part 3 of the Insolvent Partnerships Order 1994 or Schedule B1 to the Insolvency (Northern Ireland) Order 1989 as applied by Part 3 of the Insolvent Partnerships Order (Northern Ireland) 1995,
- (q) a voluntary arrangement has been approved in accordance with Part 1 of the Insolvency Act 1986 as applied by Part 4 of the Limited Liability Partnerships Regulations 2001 or Part 2 of the Insolvency (Northern Ireland) Order 1989 as applied by Part 4 of the Limited Liability Partnerships Regulations (Northern Ireland) 2004 in relation to that person and that voluntary arrangement has not come to an end prematurely,
- (r) an appointment of a liquidator is in force as a consequence of a creditors' voluntary winding up under Chapter 4 of Part 4 of the Insolvency Act 1986 as applied by Part 4 of the Limited Liability Partnerships Regulations 2001 or Chapter 4 of Part 5 of the Insolvency (Northern Ireland) Order 1989 as

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applied by Part 4 of the Limited Liability Partnerships Regulations (Northern Ireland) 2004 in relation to that person disregarding any temporary vacancy in the office of liquidator,

- (s) that person is in administration for the purposes of Schedule B1 to the Insolvency Act 1986 as applied by Part 4 of the Limited Liability Partnerships Regulations 2001 or Schedule B1 to the Insolvency (Northern Ireland) Order 1989 as applied by Part 4 of the Limited Liability Partnerships Regulations (Northern Ireland) 2004.

- (9) In this section—

“administrative receiver” means an administrative receiver within the meaning of section 251 of the Insolvency Act 1986 or article 5(1) of the Insolvency (Northern Ireland) Order 1989;

“protected trust deed” has the same meaning as in the Bankruptcy (Scotland) Act 2016;

“tax advantage” has the same meaning as in Schedule 11A; and

“trust deed” has the same meaning as in the Bankruptcy (Scotland) Act 2016.

- (10) In this section a voluntary arrangement comes to an end prematurely if it would be regarded as having come to an end prematurely under—

- (a) section 7B or section 262C of the Insolvency Act 1986; or
- (b) article 20B or article 236C of the Insolvency (Northern Ireland) Order 1989.

- (11) Section 6 applies for determining the time when a supply is to be treated as taking place for the purposes of construing this section.]

Textual Amendments

F27 S. 26AA inserted (with effect in accordance with art. 9 of the amending S.I.) by [The Enactment of Extra-Statutory Concessions Order 2017 \(S.I. 2017/495\)](#), arts. 1, **7(3)**

F28 S. 26AA(8)(ka) inserted (26.6.2020) by [Corporate Insolvency and Governance Act 2020 \(c. 12\)](#), s. 49(1), [Sch. 9 para. 15](#) (with ss. 2(2), 5(2))

Modifications etc. (not altering text)

C3 S. 26AA(8) modified (31.1.2019) by [The Further Education Bodies \(Insolvency\) Regulations 2019 \(S.I. 2019/138\)](#), regs. 1(1), **35** (with regs. 1(2), 3(b))

[^{F29}**26A** Adjustment of output tax in respect of supplies under section 55A

- (1) This section applies if—

- (a) a person is, as a result of section 26A, taken not to have been entitled to any credit for input tax in respect of any supply, and
- (b) the supply is one in respect of which the person is required under section 55A(6) to account for and pay VAT.

- (2) The person is entitled to make an adjustment to the amount of VAT which he is so required to account for and pay.

- (3) The amount of the adjustment is to be equal to the amount of the credit for the input tax to which the person is taken not to be entitled.

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- (4) Regulations may make such supplementary, incidental, consequential or transitional provisions as appear to the Commissioners to be necessary or expedient for the purposes of this section.
- (5) Regulations under this section may in particular—
 - (a) make provision for the manner in which, and the period for which, the adjustment is to be given effect,
 - (b) require the adjustment to be evidenced and quantified by reference to such records and other documents as may be specified by or under the regulations,
 - (c) require the person entitled to the adjustment to keep, for such period and in such form and manner as may be so specified, those records and documents,
 - (d) make provision for readjustments if any credit for input tax is restored under section 26A.
- (6) Regulations under this section may make different provision for different circumstances.]

Textual Amendments

F29 S. 26AB inserted (1.6.2007) by [Finance Act 2006 \(c. 25\)](#), [s. 19\(2\)\(8\)](#); [S.I. 2007/1419](#), [art. 2](#)

[^{F30}26B Flat-rate scheme

- (1) The Commissioners may by regulations make provision under which, where a taxable person so elects, the amount of his liability to VAT in respect of his relevant supplies in any prescribed accounting period shall be the appropriate percentage of his relevant turnover for that period.

A person whose liability to VAT is to any extent determined as mentioned above is referred to in this section as participating in the flat-rate scheme.

- (2) For the purposes of this section—
 - (a) a person’s “relevant supplies” are all supplies made by him except supplies made at such times or of such descriptions as may be specified in the regulations;
 - (b) the “appropriate percentage” is the percentage so specified for the category of business carried on by the person in question;
 - (c) a person’s “relevant turnover” is the total of—
 - (i) the value of those of his relevant supplies that are taxable supplies, together with the VAT chargeable on them, and
 - (ii) the value of those of his relevant supplies that are exempt supplies.
- (3) The regulations may designate certain categories of business as categories in relation to which the references in subsection (1) above to liability to VAT are to be read as references to entitlement to credit for VAT.
- (4) The regulations may provide for persons to be eligible to participate in the flat-rate scheme only in such cases and subject to such conditions and exceptions as may be specified in, or determined by or under, the regulations.
- (5) Subject to such exceptions as the regulations may provide for, a participant in the flat-rate scheme shall not be entitled to credit for input tax.

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This is without prejudice to subsection (3) above.

- (6) The regulations may—
- (a) provide for the appropriate percentage to be determined by reference to the category of business that a person is expected, on reasonable grounds, to carry on in a particular period;
 - (b) provide, in such circumstances as may be prescribed, for different percentages to apply in relation to different parts of the same prescribed accounting period;
 - (c) make provision for determining the category of business to be regarded as carried on by a person carrying on businesses in more than one category.
- (7) The regulations may provide for the following matters to be determined in accordance with notices published by the Commissioners—
- (a) when supplies are to be treated as taking place for the purposes of ascertaining a person's relevant turnover for a particular period;
 - (b) the method of calculating any adjustments that fall to be made in accordance with the regulations in a case where a person begins or ceases to participate in the flat-rate scheme.
- (8) The regulations may make provision enabling the Commissioners—
- (a) to authorise a person to participate in the flat-rate scheme with effect from—
 - (i) a day before the date of his election to participate, or
 - (ii) a day that is not earlier than that date but is before the date of the authorisation;
 - (b) to direct that a person shall cease to be a participant in the scheme with effect from a day before the date of the direction.
- The day mentioned in paragraph (a)(i) above may be a day before the date on which the regulations come into force.
- (9) Regulations under this section—
- (a) may make different provision for different circumstances;
 - (b) may make such incidental, supplemental, consequential or transitional provision as the Commissioners think fit, including provision disapplying or applying with modifications any provision contained in or made under this Act.]

Textual Amendments

F30 S. 26B inserted (retropective to 24.4.2002) by [Finance Act 2002 \(c. 23\)](#), s. 23(1)(4)

27 Goods imported for private purposes.

- (1) Where goods are imported by a taxable person ^{F31}... and—
- (a) at the time of importation they belong wholly or partly to another person; and
 - (b) the purposes for which they are to be used include private purposes either of himself or of the other,

VAT paid or payable by the taxable person on the importation of the goods shall not be regarded as input tax to be deducted or credited under section 25; but he may make a separate claim to the Commissioners for it to be repaid.

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- (2) The Commissioners shall allow the claim if they are satisfied that to disallow it would result, in effect, in a double charge to VAT; and where they allow it they shall do so only to the extent necessary to avoid the double charge.
- (3) In considering a claim under this section, the Commissioners shall have regard to the circumstances of the importation and, so far as appearing to them to be relevant, things done with, or occurring in relation to, the goods at any subsequent time.
- (4) Any amount allowed by the Commissioners on the claim shall be paid by them to the taxable person.
- (5) The reference above to a person's private purposes is to purposes which are not those of any business carried on by him.

Textual Amendments

F31 Words in s. 27(1) omitted (31.12.2020) by virtue of [Taxation \(Cross-border Trade\) Act 2018 \(c. 22\)](#), s. 57(3), [Sch. 8 para. 27](#) (with [Sch. 8 para. 99](#)) (with savings and transitional provisions in [S.I. 2019/105](#) (as amended by [S.I. 2020/1495](#), [regs. 1\(2\)](#), [21](#)), [S.I. 2020/1545](#), [Pt. 4](#) and [2020 c. 26](#), [Sch. 2 para. 7\(7\)-\(9\)](#)); [S.I. 2020/1642](#), [reg. 4\(b\)](#) (with [reg. 7](#))

28 Payments on account of VAT.

- (1) The Treasury may make an order under this section if they consider it desirable to do so in the interests of the national economy.
- (2) An order under this section may provide that a taxable person of a description specified in the order shall be under a duty—
 - (a) to pay, on account of any VAT he may become liable to pay in respect of a prescribed accounting period, amounts determined in accordance with the order, and
 - (b) to do so at such times as are so determined.

[^{F32}(2AA) An order under this section may provide for the matters with respect to which an appeal under section 83 lies to a tribunal to include such decisions of the Commissioners under that or any other order under this section as may be specified in the order.]

[^{F33}(2A) The Commissioners may give directions, to persons who are or may become liable by virtue of any order under this section to make payments on account of VAT, about the manner in which they are to make such payments; and where such a direction has been given to any person and has not subsequently been withdrawn, any duty of that person by virtue of such an order to make such a payment shall have effect as if it included a requirement for the payment to be made in the manner directed.]

- (3) Where an order is made under this section, the Commissioners may make regulations containing such supplementary, incidental or consequential provisions as appear to the Commissioners to be necessary or expedient.
- (4) A provision of an order or regulations under this section may be made in such way as the Treasury or, as the case may be, the Commissioners think fit (whether by amending provisions of or made under the enactments relating to VAT or otherwise).
- (5) An order or regulations under this section may make different provision for different circumstances.

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Textual Amendments

F32 S. 28(2AA) inserted (29.4.1996) by 1997 c. 16, s. 43

F33 S. 28(2A) inserted (29.4.1996) by 1996 c. 8, s. 34

29 Invoices provided by recipients of goods or services.

Where—

- (a) a taxable person (“the recipient”) provides a document to himself which purports to be an invoice in respect of a taxable supply of goods or services to him by another taxable person; and
 - (b) that document understates the VAT chargeable on the supply,
- the Commissioners may, by notice served on the recipient and on the supplier, elect that the amount of VAT understated by the document shall be regarded for all purposes as VAT due from the recipient and not from the supplier.

Changes to legislation:

There are currently no known outstanding effects for the Value Added Tax Act 1994, Cross
Heading: Payment of VAT by taxable persons.