



# Finance Act 2002

## 2002 CHAPTER 23

### PART 2

#### VALUE ADDED TAX

#### **22 Disallowance of input tax where consideration not paid**

- (1) In Part 1 of the Value Added Tax Act 1994 (c. 23) (the charge to tax), after section 26 insert—

**“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.
- (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;

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*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2002, Section 22. (See end of Document for details)*

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- (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.
- (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.”.
- (2) In section 36 of that Act (bad debts), omit subsections (4A) and (5)(ea).
- (3) This section has effect in relation to supplies made on or after such day as the Commissioners of Customs and Excise may appoint by order made by statutory instrument.

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**Subordinate Legislation Made**

**P1** S. 22(3) power fully exercised: 1.1.2003 appointed by [S.I. 2002/3028](#), **art. 2**

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**Commencement Information**

**II** S. 22 has effect as specified by [The Finance Act 2002, section 22, \(Appointed Day\) Order 2002 \(S.I. 2002/3028\)](#), **art. 2**

**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 2002, Section 22.