

**1972 No. 1970**
**VALUE ADDED TAX**
**The Value Added Tax (Cars) Order 1972**

*Made* - - - - - 15th December 1972  
*Laid before the House of Commons* 21st December 1972  
*Coming into Operation* - - - 1st April 1973

The Treasury, in exercise of the powers conferred on them by sections 3(6), 6(1), 14, 21(2) and 43(1) of the Finance Act 1972(a) hereby make the following Order:—

*Citation and commencement*

1. This Order may be cited as the Value Added Tax (Cars) Order 1972 and shall come into operation on 1st April 1973.

*Interpretation*

2.—(1) The Interpretation Act 1889(b) shall apply for the interpretation of this Order as it applies for the interpretation of an Act of Parliament.

(2) In this Order “business”, “input tax”, “tax”, “taxable person” and “the Commissioners” have the same meanings as in Part I of the Finance Act 1972.

(3) In this Order “motor car” means, subject to paragraph (4) below, any motor vehicle of a kind normally used on public roads which has three or more wheels and either—

(a) is constructed or adapted solely or mainly for the carriage of passengers; or

(b) has to the rear of the driver’s seat roofed accommodation which is fitted with side windows or which is constructed or adapted for the fitting of side windows.

(4) The following are not included in the definition of “motor car”—

(a) vehicles capable of accommodating only one person or suitable for carrying twelve or more persons;

(b) vehicles of not less than three tons unladen weight;

(c) caravans, ambulances and prison vans;

(d) vehicles of a type approved by the Assistant Commissioner of Police of the Metropolis as conforming to the conditions of fitness for the time being laid down by him for the purposes of the London Cab Order 1934(c);

---

 (a) 1972 c. 41.

(b) 1889 c. 63.

(c) S.R. &amp; O. 1934/1346 (Rev. XIV, p. 795; 1934 I, p. 1221).

(e) vehicles constructed for a special purpose other than the carriage of persons and having no other accommodation for carrying persons than such as is incidental to that purpose.

(5) In this Order “ car dealer ” means a taxable person who carries on a business which consists of or includes the sale of motor cars.

*Revocation*

3. The Value Added Tax (Self-Supply) (No. 1) Order 1972(a) is hereby revoked.

*Restriction on deduction of input tax*

4.—(1) Tax on the supply or importation of a motor car shall not be deducted as input tax under section 3 of the Finance Act 1972 except where—

- (a) the supply is a letting on hire; or
- (b) the motor car is supplied or imported for the purpose of its conversion into a vehicle which is not a motor car; or
- (c) the motor car is unused and is supplied or imported for the purpose of being sold.

(2) The reference in this Article to a sale includes any supply under a hire-purchase agreement.

*Self-supply*

5.—(1) This Article applies to the following motor cars produced or acquired by a taxable person in the course of a business carried on by him, that is to say—

- (a) any motor car produced by him otherwise than by the conversion of a vehicle acquired by him; and
- (b) any motor car produced by him by the conversion of another vehicle (whether a motor car or not) with respect to which the conditions specified in paragraph (2) below are satisfied; and
- (c) any motor car acquired by him with respect to which those conditions are satisfied.

(2) The conditions mentioned in paragraph (1) above are—

- (a) that the motor car or other vehicle was imported by the taxable person or supplied to him under a taxable supply; and
- (b) that tax on the importation or supply has been or may be deducted as input tax under section 3 of the Finance Act 1972.

(3) Where a motor car to which this Article applies—

- (a) is neither supplied by the taxable person in the course of the business carried on by him nor converted into another vehicle (whether a motor car or not) in the course of that business; but
- (b) is used by him for the purpose of that business;

the motor car shall be treated for the purposes of Part I of the Finance Act 1972 as both supplied to him for the purpose of that business and supplied by him in the course of that business, except where the motor car is one to which this Article applies by virtue of paragraph (1)(a) above and the Commissioners are satisfied that it is used solely for the purpose of research or development.

---

(a) S.I. 1972/1168 (1972 II, p. 3471).

(4) The preceding provisions of this Article shall apply in relation to any bodies corporate which are treated for the purposes of section 21 of the Finance Act 1972 as members of a group as if those bodies were one person, but any motor car which would fall to be treated as supplied to and by that person shall be treated as supplied to and by the representative member.

*Relief for second-hand cars*

6.—(1) Except as provided by the following paragraphs of this Article, Article 7 of this Order applies to any supply of a used motor car.

(2) Article 7 does not apply to a supply which is a letting on hire.

(3) Article 7 does not apply to the supply by any person of a motor car which was produced by him, if it was neither previously supplied by him in the course of a business carried on by him nor treated as so supplied by virtue of Article 5 above.

(4) Article 7 does not apply to any supply if an invoice or similar document showing an amount as being tax or as being attributable to tax is issued in respect of the supply.

(5) Article 7 does not apply to a supply by a car dealer unless he keeps such records and accounts as the Commissioners may specify in a notice published by them for the purposes of this Order or may recognize as sufficient for those purposes.

7.—(1) Where this Article applies to the supply by any person of a motor car, tax shall be chargeable as if the supply were for a consideration equal to the excess of—

(a) the consideration for which the motor car is supplied by him; over

(b) the consideration for which the motor car was acquired by him;

and accordingly shall not be charged unless there is such an excess.

(2) Where this Article applies to the supply by a person of a motor car which was imported by him, the consideration for which it was acquired by him shall be taken to include the amount of any customs duty, tax or purchase tax that was charged on the motor car on its importation.

(3) Where this Article applies to the supply by a person of a motor car previously treated under Article 5 above as supplied by and to him, paragraph (1) above shall apply as if for the consideration referred to in sub-paragraph (b) there were substituted the amount by reference to which tax was chargeable on the previous supply plus the tax so chargeable.

*Tim Fortescue,*

*Hugh Rossi,*

Two of the Lords Commissioners  
of Her Majesty's Treasury.

15th December 1972.

## EXPLANATORY NOTE

*(This Note is not part of the Order)*

This Order disallows deduction of input tax on new motor cars acquired by taxable persons for use in their business and on used motor cars. The disallowance does not apply to new cars acquired for sale, to cars intended for conversion into another kind of vehicle or to the charge for the hiring of a car.

The Order also brings within the tax certain motor cars which are self-supplied by taxable persons for their own use, and places such cars in the same position as other cars as regards disallowance of input tax. These provisions continue those contained in the Value Added Tax (Self-Supply) (No. 1) Order 1972 which is revoked.

The Order further provides, subject to specified conditions, for the tax chargeable on the supply (otherwise than by hiring) of a used car by a taxable person to be charged only on the excess, if any, of the price which that person obtains for the car over the price which he gave for it.

SI 1972/1970  
ISBN 0-11-021970-8

