1988 No. 886

VALUE ADDED TAX

The Value Added Tax (Annual Accounting) Regulations 1988

Made - - - -	*16th May 1988*
Laid before the House of Commons	*23rd May 1988*
Coming into force	*1st July 1988*

The Commissioners of Customs and Excise, in exercise of the powers conferred on them by section 14(1) and paragraph 2(1) of Schedule 7 to the Value Added Tax Act 1983(**a**) and of all other powers enabling them in that behalf, hereby make the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Value Added Tax (Annual Accounting) Regulations 1988 and shall come into force on 1st July 1988.

Interpretation

2. In these Regulations–

"the Act" means the Value Added Tax Act 1983;

"authorised person" means a person who has been authorised by the Commissioners in accordance with regulation 3 of these Regulations, and "authorised" and "authorisation" shall be construed accordingly;

"current accounting year" means the period of twelve months commencing at the date of authorisation by the Commissioners set out in regulation 3 below or, while a person remains authorised, the most recent anniversary thereof, and is a prescribed accounting period within the meaning of section 14(1) of the Act.

"registered" means registered under Schedule 1 to the Act and "registration" shall be construed accordingly.

Annual accounting scheme

3. The Commissioners may, subject to these Regulations, authorise a taxable person to account for tax in accordance with a scheme (hereinafter referred to as "the scheme") by which he–

(a) pays by direct debit on his bank account in nine equal monthly instalments commencing on the last day of the fourth month of his current accounting year 90 per cent of his liability for tax as estimated by the Commissioners for that current account year; and

(b) furnishes by the last day of the second month following the end of that current accounting year a return in respect of that year, together with any outstanding payment due to the Commissioners in respect of his liability for tax declared on that return.

(**a**) 1983 c.55; section 14(1) was amended by section 11(1) of the Finance Act 1987 (c.16).

Admission to the scheme

4.—(1) A taxable person shall be eligible to apply for authorisation under regulation 3 above if–

(a) he has been registered for at least one year at the date of his application for authorisation;

(b) he has reasonable grounds for believing that the value of taxable supplies made by him in the period of one year beginning at the date of his application for authorisation will not exceed £250,000;

(c) he has made all the returns which he is required to make, and has paid to the Commissioners all such sums shown as due on those returns, and on any assessments made either under Schedule 7 to the Act, or under section 21 of the Finance Act 1985**(a)**;

(d) his total credits for input tax did not exceed his total output tax in the year prior to his application for authorisation;

(e) his registration is not in the name of a group under section 29(1) of the Act;

(f) his registration is not in the name of a division under section 31(1) of the Act; and

(g) he has not in the three years preceding the date of his application for authorisation had his authorisation terminated under regulation 8(1) below.

(2) The Commissioners may refuse to authorise a person under regulation 3 above where they consider it necessary to do so for the protection of the revenue.

5.—(1) An authorised person may start to use the scheme at the beginning of the current accounting year indicated in the notification of that authorisation.

(2) An authorised person shall remain in the scheme for a minimum of two years unless–

(a) at the end of any current accounting year the value of taxable supplies made by him in that year has exceeded by 25 per cent or more the figure of £250,000, in which case his authorisation shall terminate forthwith;

(b) at any time there is reason to believe that the value of taxable supplies made by him in a current accounting year will exceed by 25 per cent or more the figure of £250,000, in which case he shall within thirty days notify the Commissioners, who may terminate his authorisation; or

(c) his authorisation is terminated earlier in accordance with regulation 8 below.

6. An authorised person who ceases to operate the scheme either of his own volition or because the value of taxable supplies made by him exceeds the level provided for in regulation 5 above shall account for and pay tax as provided for by or under the Act.

7. Where an authorised person becomes insolvent and ceases to trade, other than for the purpose of disposing of stocks and assets, or where such person ceases business or ceases to be registered or dies or becomes bankrupt or incapacitated, his authorisation shall terminate forthwith and he or his representative shall within two months furnish a return as provided for by or under the Act accounting for and paying tax in respect of supplies made during his current accounting year, subject to any adjustment for credit for input tax.

Expulsion from the scheme

8.—(1) The Commissioners may terminate an authorisation in any case where–

(a) a false statement has been made by or on behalf of an authorised person in relation to his application for authorisation;

(b) an authorised person fails to furnish by the due date his return in respect of the current accounting year;

(c) an authorised person fails to make any payment prescribed in regulation 3 above;

(a) 1985 c.54.

(d) an authorised person has failed to leave the scheme as provided for in regulation 5(2) above; or

(e) it is necessary to do so for the protection of the revenue.

(2) A person whose authorisation has been terminated under paragraph (1) of this regulation shall account for and pay tax as provided for by or under the Act.

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16th May 1988

Peter Jefferson Smith
Commissioner of Customs and Excise

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations provide, subject to certain conditions, for a taxable person to be authorised to account for and pay tax on an annual basis. They also set out the consequential requirements where a person ceases to be authorised for annual accounting.