
STATUTORY INSTRUMENTS

1992 No. 3222

The Value Added Tax (Input Tax) Order 1992

Disallowance of input tax

5.—(1) Tax charged on any goods or services supplied to a taxable person, or on any goods acquired by a taxable person, or on any goods imported by a taxable person, is to be excluded from any credit under section 14 of the Act, where the goods or services in question are used or to be used by the taxable person for the purposes of business entertainment.

(2) Where, by reason of the operation of paragraph (1) above, a taxable person has claimed no input tax on a supply, acquisition or importation of any goods, or on a supply of any services, tax shall be charged on a supply by him of the goods in question not being a letting on hire or on a supply by him of the services in question, as if that supply were for a consideration equal to the excess of—

- (a) the consideration for which the goods or services are supplied by him, over
- (b) the relevant amount,

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

(3) For the purposes of this article, “business entertainment” means entertainment including hospitality of any kind provided by a taxable person in connection with a business carried on by him, but does not include the provision of any such entertainment for either or both—

- (a) employees of the taxable person;
- (b) if the taxable person is a body corporate, its directors or persons otherwise engaged in its management,

unless the provision of entertainment for persons such as are mentioned in sub-paragraph (a) and (b) above is incidental to its provision for others.

(4) For the purposes of sub-paragraph (b) of paragraph (2) above, the relevant amount is—

- (a) if the goods or services in question had been supplied to the taxable person, the consideration for the supply to him;
- (b) if the goods in question had been acquired by him from another member State, the value of their acquisition plus the tax chargeable thereon;
- (c) if the goods in question had been imported by him, the value of the goods for the purposes of charging tax on importation plus any tax chargeable on their importation.