
STATUTORY INSTRUMENTS

1992 No. 3222

The Value Added Tax (Input Tax) Order 1992

Disallowance of input tax

- 7.—(1) Subject to paragraph (2) below tax charged on—
- (a) the supply to a taxable person;
 - (b) the acquisition by a taxable person from another member State; or
 - (c) the importation by a taxable person,
- of a motor car shall be excluded from any credit under section 14 of the Act.
- (2) Paragraph (1) above does not apply where—
- (a) the supply is a letting on hire; or
 - (b) the motor car is supplied, acquired 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 to, or acquired or imported by, the taxable person for the purpose of being sold; or
 - (d) the motor car is unused and forms part of the assets of the taxable person's business and is supplied by him in the circumstances—
 - (i) described in paragraph 5A of Schedule 2 to the Act⁽¹⁾ (removal of business assets to another member State), and
 - (ii) by way of a zero-rated supply by virtue of regulations made under section 16(7) of the Act; or
 - (e) the motor car is unused and is supplied to, or acquired or imported by, a taxable person whose business includes the production of motor cars (other than the production of motor cars solely by the conversion of vehicles) and the motor car is for the purpose of research and development to be carried out by him; or
 - (f) the motor car is unused and is supplied to a taxable person whose only taxable supplies are concerned with the letting of motor cars on hire to another taxable person whose business consists predominantly of making supplies of a description falling within item 12 of Group 14 of Schedule 5 to the Act; or
 - (g) the motor car is supplied to, or acquired or imported by, a taxable person for the primary purpose of—
 - (i) being provided by him for hire with the services of a driver for the purpose of carrying passengers;
 - (ii) being provided by him for self-drive hire;
 - (iii) being used as a vehicle in which instruction in the driving of a motor car is to be given by him; or

⁽¹⁾ Paragraph 5A of Schedule 2 to the Value Added Tax Act 1983 (c. 55) was inserted by the Finance (No. 2) Act 1992 (c. 48) Schedule 3 paragraph 60.

- (iv) the letting on hire to a person who is not a taxable person on condition that he uses the motor car primarily for one of the purposes described in sub- paragraphs (i) to (iii) above.

(3) In this article—

- (a) “sold” includes being supplied under a hire-purchase agreement;
- (b) “self-drive hire” means hire where the hirer is the person normally expected to drive the motor car and the period of hire to each hirer, together with the period of hire of any other motor car expected to be hired to him by the taxable person—
 - (i) will normally be less than 30 consecutive days; and
 - (ii) will normally be less than 90 days in any period of 12 months.

(4) On the supply by a taxable person of a motor car in respect of which tax has been excluded from any credit by virtue of paragraph (1) above, or of any other provision made or having effect as if made under section 14(10) of the Act, 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 relevant amount,

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

(5) For the purposes of paragraph (4)(b) above, the relevant amount is—

- (a) if the motor car had been obtained by the taxable person by way of a supply to him by another taxable person, the consideration for that supply;
- (b) if the motor car had been treated as supplied by the taxable person to himself by virtue of an order made under section 3(5) of the Act, the value of that supply plus the tax chargeable thereon;
- (c) if the motor car had been acquired by the taxable person from another member State, the value of that acquisition plus the tax chargeable thereon;
- (d) if the motor car had been imported by the taxable person, the value of the motor car for the purposes of charging tax on importation together with any tax chargeable on its importation.