
EXPLANATORY NOTE

(This note is not part of the Order)

Under the directive of the Council of the European Communities dated 17th May 1977, No. [77/388/EEC](#) (O.J. No. L145, 13.6.1977, p. 1) as amended by the directive of that Council dated 16th December 1991, No. 91/680 EEC (O.J. No. L376, 31.12.1991, p. 1), as from 1st January 1993 goods removed to the United Kingdom from another member State of the European Communities will no longer be chargeable to tax on importation. However, such goods may become chargeable to tax on their acquisition in the United Kingdom. Goods imported into the United Kingdom from a place outside the member States will continue to be chargeable to tax on their importation.

This Order revokes and re-enacts, with amendments, the provisions specified in the Schedule. The amendments are made in consequence of the new charging event arising from an acquisition of goods from another member State.

Article 4 re-enacts, with amendments, article 7 of the [Value Added Tax \(Special Provisions\) Order 1981 \(No. 1741\)](#) (the 1981 Order). It excludes, in certain circumstances, input tax incurred on the supply, acquisition or importation of works of art, antiques, collectors' pieces and specified used goods from any credit.

Article 5 re-enacts, with amendments, article 9 of the 1981 Order. It excludes from credit input tax incurred on goods supplied to, or acquired or imported by, a taxable person or on any services supplied to a taxable person where he uses them for the purposes of business entertainment. The article also gives consequential relief by providing that output tax is chargeable on the supply of such goods by reference only to the excess (if any) of the consideration for which they are supplied over the cost of their purchase plus (in the case of goods acquired from another member State or imported from a place outside the member States) the tax chargeable on their acquisition or importation.

Article 6 re-enacts, with amendments, article 8 of the 1981 Order, and excludes from credit input tax incurred on the supply, acquisition or importation of certain goods incorporated in a dwelling.

Article 7 re-enacts, with amendments, article 4 of the [Value Added Tax \(Cars\) Order 1980 \(No. 448\)](#). It excludes from credit input tax incurred on a motor car supplied to, or acquired or imported by, a taxable person which is used by him otherwise than for one of the purposes prescribed in the article. The article also gives consequential relief by providing for the output tax on a used car in respect of which input tax is not creditable to be chargeable by reference only to the excess (if any) of the consideration for which the car is supplied over the cost of its purchase plus (in the case of a car acquired from another member State or imported from a place outside the member States) the tax chargeable on its acquisition or importation.