
S T A T U T O R Y I N S T R U M E N T S

1999 No. 2832

VALUE ADDED TAX

The Value Added Tax (Cars) (Amendment) Order 1999

Made - - - - - 14th October 1999

*Laid before the House of
Commons - - - - - 15th October 1999*

Coming into force in accordance with Article 1

The Treasury, in exercise of the powers conferred on them by sections 5(5) and 50A(1) of the Value Added Tax Act 1994 (a) and of all other powers enabling them in that behalf, hereby make the following Order:

- 1.—(1) This Order may be cited as the Value Added Tax (Cars) (Amendment) Order 1999.
- (2) This Order, with the exception of article 10, shall come into force on 1st December 1999.
- (3) Article 10 of this Order shall come into force on 1st March 2000.
2. The Value Added Tax (Cars) Order 1992(b) shall be amended in accordance with articles 3 to 10 below.
3. In article 2—
 - (a) the definition of “car dealer” shall be omitted; and
 - (b) for the definition of “motor car” there shall be substituted—

““Motor car” means 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; but does not include—
 - (i) vehicles capable of accommodating only one person;
 - (ii) vehicles which meet the requirements of Schedule 6 to the Road Vehicles (Construction and Use) Regulations 1986(c) and are capable of carrying twelve or more seated persons;
 - (iii) vehicles of not less than three tonnes unladen weight (as defined in the Table to regulation 3(2) of the Road Vehicles (Construction and Use) Regulations 1986);
 - (iv) vehicles constructed to carry a payload (the difference between a vehicle’s kerb weight (as defined in the Table to regulation 3(2) of the Road Vehicles (Construction and Use) Regulations 1986) and its maximum gross weight (as defined in that Table)) of one tonne or more;
 - (v) caravans, ambulances and prison vans;

(a) 1994 c.23; section 50A was inserted by section 24(1) of the Finance Act 1995 (c.4).

(b) S.I. 1992/3122, relevant amending instruments are S.I. 1995/1269 and 1995/1667.

(c) S.I. 1986/1078.

- (vi) 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;”.
4. In article 4A(a)—
- (a) for “either article 5 or article 6” there shall be substituted “article 5”; and
- (b) for “one or other of those articles” there shall be substituted “that article”.
5. In article 5(1)—
- (a) the word “or” after sub-paragraph (b) shall be omitted;
- (b) for “, but does not apply to any motor car to which article 6 below applies.” there shall be substituted—
- “; or
- (d) which was transferred to a taxable person as an asset of a business or part of a business in the course of the transfer of that business or part of a business as a going concern—
- (i) in circumstances where the transfer was treated as neither a supply of goods nor a supply of services by virtue of an Order made or having effect as if made under section 5(3) of the Act;
- (ii) in the hands of the transferor or any predecessor of his the motor car was one to which this article applied by virtue of sub-paragraph (a), (b) or (c) above; and
- (iii) the motor car has not been treated as supplied by virtue of this article to and by the transferor or any of his predecessors.”.
6. After article 5(2) there shall be inserted—
- “(2A) For the purposes of paragraph (1)(d) above a person is a predecessor of a transferor if—
- (a) he transferred the motor car as an asset of a business or part of a business which he transferred as a going concern—
- (i) to the transferor, or
- (ii) where the motor car has been the subject of more than one such transfer, to a person who made one of those transfers; and
- (b) the transfer of the motor car was treated as neither a supply of goods nor a supply of services by virtue of any Order made or having effect as if made under section 5(3) of the Act.”.
7. For article 5(3) there shall be substituted—
- “(3) Where a motor car to which this article applies—
- (a) has not been supplied by the taxable person in the course or furtherance of a business carried on by him; and
- (b) is used by him such that had it been supplied to, or imported or acquired from another member State by, him at that time his entitlement to credit under section 25 of the Act in respect of the VAT chargeable on such a supply, importation or acquisition from another member State would have been wholly excluded by virtue of article 7 of the Value Added Tax (Input Tax) Order 1992**(b)**,
- it shall be treated for the purposes of the Act as both supplied to him for the purposes of a business carried on by him and supplied by him for the purposes of that business.”;
8. Articles 6 and 6A(c) shall be omitted.
9. In article 7 for “Articles 5 and 6” there shall be substituted “Article 5”.

(a) Article 4A was inserted by article 4 of S.I. 1995/1667.

(b) S.I. 1992/3222; relevant amending instruments are S.I. 1995/281, 1995/1666 and 1998/2767.

(c) Article 6A was inserted by S.I. 1995/1667.

10. In article 8(2)(bb)(a) after “a supply” there shall be inserted “received before 1st March 2000”.

14th October 1999

Jim Dowd
Bob Ainsworth
Two of the Lords Commissioners of
Her Majesty's Treasury

(a) Article 8(2)(bb) was inserted by article 8 of S.I. 1995/1667.

EXPLANATORY NOTE

(This note is not part of the Order)

This Order amends the Value Added Tax (Cars) Order 1992 (S.I. 1992/3122) (the Cars Order). Part of the changes take effect on 1st December 1999 and part on 1st March 2000.

The Order makes amendments to the Cars Order consequent upon amendments to the Value Added Tax (Input Tax) Order 1992 (S.I. 1992/3222). It also simplifies the provisions whereby persons must account for VAT when putting a car on which they recovered VAT to a use which would not qualify for recovery, and extends them to cars obtained on a transfer of a going concern.

Article 3 of the Order amends article 2 of the Cars Order to remove London-type taxis and twelve seater vehicles that do not meet road safety regulations from the exceptions to the definition of “motor car”. It adds vehicles that have a payload of one tonne or more. This change takes effect on 1st December 1999.

Articles 5, 6, 7 and 8 make changes to articles 5 and 6 of the Cars Order. The latter articles require someone who has obtained input tax credit on the purchase of a car, and has put it to a use that would not qualify for such credit, to account for VAT on the car (a “self supply”). The first change is that the separate provisions in articles 5 and 6 of the Cars Order for ordinary business cars and tools of trade cars respectively are combined and simplified in article 5. Additionally, sub-paragraph (d) is inserted into paragraph 1 of Article 5 together with a new paragraph 2A extending the self-supply provisions to people who obtained cars on transfers of going concerns from persons who were entitled to input tax credit. Articles 4 and 9 make consequential amendments to articles 4A and 7 of the Cars Order. These changes take effect on 1st December 1999.

Article 10 removes a supply under the input tax margin scheme, which will be abolished on 1st March 2000, as a qualifying condition for use of the second hand goods margin scheme for cars. The change takes effect on 1st March 2000. The wording allows persons to continue to use the second hand goods margin scheme for cars bought under the input tax margin scheme before 1st March 2000 but sold on or after that date.

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