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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Value Added Tax Regulations 1995 (S.I. 1995/2518) (“the 1995 Regulations”) and the Value Added Tax (Input Tax) (Specified Supplies) Order 1999 (S.I. 1999/3121) (“the SSO”) to make changes required as a consequence of the withdrawal of the United Kingdom (“UK”) from the European Union (“EU”).

Regulations 2 to 4 amend the 1995 Regulations.

Regulation 3 makes provision in relation to the attribution of input tax to certain exempt supplies under a partial exemption method approved or directed by the Commissioners under paragraph (1) of regulation 102 (use of other methods) of the 1995 Regulations. It both restricts the attribution that can be made to ensure that there can be no attribution in relation to any supplies that are made within the UK except in the two circumstances specified and allows for attribution where any supplies are made within the EU.

Regulation 4 limits the definition of a ‘relevant supply’ in regulation 103B (attribution of input tax incurred on services and related goods used make financial supplies) of the 1995 Regulations so that it only covers a supply of financial services of a description falling within the Value Added Tax Act 1994 (c. 23) and does not extend to a similar supply made in a member State of the EU.

Regulations 5 and 6 amend the SSO to make changes required as a result of the UK’s withdrawal from the EU.

Regulation 6 ensures that all specified supplies of services supplied to persons who belong outside the UK or which are directly linked to the export of goods to a place outside the UK are entitled to the same treatment (exemption with refund) by extending that provision to include specified supplies made to persons who belong within the EU or which are directly linked to the export of goods from the UK to a place within the EU. It also ensures that supplies of services of a type covered by the SSO which are supplied to persons within the UK will continue to be exempt after the UK is no longer a member State of the EU.

This instrument will be covered by an overarching HMRC impact assessment on VAT and services which will be published and available on the website at <https://www.gov.uk/government/collections/customs-vat-and-excise-regulations-leaving-the-eu-with-no-deal>.