

1987 No. 1427

VALUE ADDED TAX

**The Value Added Tax (Cash Accounting) Regulations
1987**

Made - - - - - 7th August 1987

Laid before the House of Commons 17th August 1987

Coming into force 1st October 1987

The Commissioners of Customs and Excise, in exercise of the powers conferred on them by section 14(1) and paragraph 2(3A) of Schedule 7 to the Value Added Tax Act 1983(a) and of all other powers enabling them in that behalf, hereby make the following Regulations:

Citation and commencement

1. These Regulations may be cited as the Value Added Tax (Cash Accounting) Regulations 1987 and shall come into force on 1st October 1987.

Interpretation

2. In these Regulations—

“the Act” means the Value Added Tax Act 1983;

“authorised person” means a person who has been authorised by the Commissioners in accordance with regulation 3 of these Regulations, and “authorised” and “authorisation” shall be construed accordingly;

“money” means banknotes or coins;

“notice” means any notice published pursuant to these Regulations.

Cash accounting scheme

3. The Commissioners may, subject to these Regulations and to such conditions as are described in a notice published by them, authorise taxable persons to account for tax in accordance with a scheme (hereinafter referred to as “the scheme”) by which the operative dates for tax accounting purposes shall be—

(a) for output tax, the day on which payment or other consideration is received or the date of any cheque, if later; and

(b) for input tax, the date on which payment is made or other consideration is given, or the date of any cheque, if later.

Admission to the scheme

4.—(1) A taxable person shall be eligible to apply for authorisation under regulation 3 above if—

(a) he has reasonable grounds for believing that the value of taxable supplies made by him in the period of one year beginning at the date of his application for authorisation will not exceed £250,000;

(a) 1983 c.55, as amended by section 11(2) of the Finance Act 1987 (c.16).

- (b) he has made all returns which he is required to make, and has paid to the Commissioners all such sums shown as due on those returns, and on any assessments made either under Schedule 7 to the Act, or under section 21 of the Finance Act 1985(a);
- (c) he has not in the three years preceding the date of his application for authorisation—
 - (i) been convicted of any offence in connection with value added tax;
 - (ii) made any payment to compound proceedings in respect of value added tax under section 152 of the Customs and Excise Management Act 1979(b);
 - (iii) been assessed to a penalty under section 13 of the Finance Act 1985; or
 - (iv) had his authorisation terminated under regulation 10(1) below.

(2) The Commissioners may refuse to authorise a person under regulation 3 above where they consider it necessary to do so for the protection of the revenue.

(3) The scheme shall not apply to hire purchase agreements, conditional sale agreements or credit sale agreements.

5. Without prejudice to the right of a person to withdraw from the scheme, the Commissioners may vary the terms of the scheme by publishing a fresh notice.

6.—(1) An authorised person may start to use the scheme at the beginning of his next prescribed accounting period indicated in the notification of that authorisation.

(2) An authorised person shall remain in the scheme for a minimum of two years unless—

- (a) at the end of any quarter or prescribed accounting period the value of taxable supplies made by him in the year then ended has exceeded by 25 per cent or more the figure of £250,000 and in the year then beginning is expected to exceed the figure of £250,000, in which case he shall within thirty days notify the Commissioners and cease to operate the scheme at the anniversary of his joining; or
- (b) at any time there is reason to believe that the value of taxable supplies made by him in the year then beginning will exceed by 25 per cent or more the figure of £250,000 in which case he shall within thirty days notify the Commissioners who may terminate his authorisation at the end of the next accounting period.

7. An authorised person who ceases to operate the scheme either of his own volition or because the value of taxable supplies made by him exceeds the level provided for in regulation 6 above may continue to use the scheme for supplies made and received while he operated the scheme, but shall otherwise account for and pay tax as provided for by or under the Act, and his authorisation shall terminate forthwith.

8. Where an authorised person becomes insolvent and ceases to trade, other than for the purpose of disposing of stocks and assets, he shall within two months account for tax on supplies made and received in the previous twelve months which have not otherwise been accounted for, subject to any adjustment for credit for input tax, and indicate the amount of such tax which is non-preferential.

9.—(1) Where an authorised person ceases business or ceases to be registered, or where such a person dies or becomes bankrupt or incapacitated, he or his representative shall within two months or such longer period as the Commissioners may allow make a return accounting for and pay tax on supplies made and received during the previous twelve months which have not otherwise been accounted for, subject to any adjustment for credit for input tax, and tax in respect of any payment or other consideration received for earlier supplies must be accounted for and paid when received.

(2) Where a business or part of a business carried on by an authorised person is transferred as a going concern and regulation 4(5) of the Value Added Tax (General) Regulations 1985(c) does not apply, the transferor shall within two months make a

(a) 1985 c.54.

(b) 1979 c.2.

(c) S.I. 1985/886, amended by S.I. 1985/1650, 1986/71, 305, 1987/150, 510.

return accounting for and pay tax on supplies made and received during the previous twelve months which have not otherwise been accounted for, subject to any adjustment for credit for input tax, and tax in respect of any payment or other consideration received for earlier supplies must be accounted for and paid when received.

(3) Where a business carried on by an authorised person is transferred in circumstances where regulation 4(5) of the Value Added Tax (General) Regulations 1985 applies, the transferee shall continue to account for and pay tax as if he were an authorised person on supplies made and received by the transferor prior to the date of transfer.

Expulsion from the scheme

10.—(1) The Commissioners may terminate an authorisation in any case where—

- (a) a false statement has been made by or on behalf of an authorised person in relation to his application for authorisation;
- (b) an authorised person has while admitted to the scheme been convicted of an offence in connection with value added tax or has made a payment to compound such proceedings under section 152 of the Customs and Excise Management Act 1979(a);
- (c) an authorised person has while admitted to the scheme been assessed to a penalty under section 13, 14 or 17 of the Finance Act 1985(b) or to a surcharge under section 19 of that Act;
- (d) an authorised person has failed to leave the scheme as provided for in regulation 6(2) above;
- (e) an authorised person has claimed input tax as though he had not been admitted to the scheme; or
- (f) it is necessary to do so for the protection of the revenue.

(2) A person whose authorisation has been terminated under paragraph (1) of this regulation shall account for and pay on a return made in respect of his current prescribed accounting period all tax which has not been accounted for and paid in accordance with the scheme, subject to any adjustment for credit for input tax.

(3) An authorised person whose authorisation has been terminated may be required to account for and pay all tax which has not been accounted for and paid in accordance with the scheme on a return made in respect of his current prescribed accounting period, subject to any adjustment for credit for input tax, notwithstanding that he has already withdrawn from the scheme of his own volition.

Appeals

11. In section 40 of the Act (appeals), at the end of subsection (1) (decisions which are appealable) there shall be added the following paragraph—

- “(r) any refusal of authorisation or termination of authorisation in connection with the scheme made under paragraph 2(3A) of Schedule 7 to this Act;” (c)

Accounting

12.—(1) Except in the circumstances set out in regulations 7 to 9 above, tax shall be accounted for and paid to the Commissioners by the due date prescribed for the accounting period in which payment or other consideration for the supply is received.

(2) Input tax may be credited either in the prescribed accounting period in which payment or consideration for a supply is given, or in such later period as may be agreed with the Commissioners.

(3) An authorised person shall obtain and keep for a period of six years or such lesser period as the Commissioners may allow a receipted and dated tax invoice from any taxable person to whom he has made a payment in money in respect of a taxable supply, and in such circumstances a taxable person must on request provide such a receipted and dated tax invoice.

(a) 1979 c.2.

(b) 1985 c.54; section 17 was amended by section 15 of the finance act 1986 (c.41).

(c) Paragraph 2(3A) of Schedule 7 was inserted by section 11(2) of the Finance Act 1987 (c.16).

(4) An authorised person shall keep for a period of six years or such lesser period as the Commissioners may allow a copy of any receipt which he gives under paragraph (3) above.

King's Beam House,
Mark Lane,
London, EC3R 7HE
7th August 1987

D. J. Howard
Commissioner of Customs and Excise

EXPLANATORY NOTE

(This note is not part of the Regulations)

These Regulations provide, subject to certain conditions, for a taxable person to be authorised to account for and pay tax on the basis of cash or other consideration paid and received. They also set out the consequential requirements where a person ceases to be authorised for cash accounting. Provision is made for an appeal to the independent VAT Tribunal against a decision to refuse or withdraw an authorisation.

The Regulations are by way of derogation from Article 17.1 of Council Directive 77/388/EEC (OJ No. L 145, 17.5.77, p1).

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