

1989 No. 2248

VALUE ADDED TAX

The Value Added Tax (Accounting and Records)  
Regulations 1989

Made - - - - 4th December 1989  
Laid before the House of  
Commons - - 5th December 1989  
Coming into force - 1st January 1990

The Commissioners of Customs and Excise, in exercise of the powers conferred upon them by sections 14(1), 14(8), 45(1) and 48(1) of, and paragraphs 2(1), 2(4), 2(5), 7(1), 7(1A) and 7(2) of Schedule 7 to, the Value Added Tax Act 1983(a) and sections 14(5A)(b), 14A(4) and 33(5) of the Finance Act 1985(b) and section 24(6) of the Finance Act 1989(c) and of all other powers enabling them in that behalf, hereby make the following Regulations:

**Citation, commencement and interpretation**

1.—(1) These Regulations may be cited as the Value Added Tax (Accounting and Records) Regulations 1989 and shall come into force on 1st January 1990.

(2) In these Regulations—

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

“Controller” means the Controller, Customs and Excise, Value Added Tax Central Unit;

“increase in consideration” means an increase in the consideration due on a supply made by a taxable person which is evidenced by a credit or debit note or any other document having the same effect and “decrease in consideration” is to be interpreted accordingly;

“insolvent person” means—

(a) an individual, or company, mentioned in subsection (2) or subsection (3) of section 22 of the Act who, or which, has become insolvent within the meaning of either of the said subsections; or

(b) a company, for which a person has been appointed in Great Britain to act either as its administrator under section 13 of the Insolvency Act 1986(d) or as an administrative receiver within the meaning of section 251 of that Act; or

(c) in Northern Ireland, a company for which a receiver or manager has been appointed;

“negative entry” means an amount entered into the value added tax account as a negative amount;

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(a) 1983 c.55; relevant amendments to section 14 and Schedule 7 are section 11(2) of the Finance Act 1987 (c.16), and section 25 of the Finance Act 1989 (c.26), also see the definition of ‘prescribed’ in section 48(1).  
(b) 1985 c.54; sections 14(5A) and 14A were inserted by sections 16(1) and 17 of the Finance Act 1988 (c.39).  
(c) 1989 c.26.  
(d) 1986 c.45.

“positive entry” means an amount entered into the value added tax account as a positive amount; and

“tax allowable portion”, “tax payable portion” and “value added tax account” have the meaning given in regulation 4.

### **Records**

2.—(1) Every taxable person shall, for the purpose of accounting for tax, keep and preserve the following records—

- (a) his business and accounting records;
- (b) his value added tax account;
- (c) copies of all tax invoices issued by him;
- (d) tax invoices received by him;
- (e) documentation relating to importations and exportations by him; and
- (f) all credit notes, debit notes or other documents which evidence an increase or decrease in consideration that are received, and copies of all such documents that are issued by him.

(2) The Commissioners may,

- (a) in relation to a trade or business of a description specified by them; or
- (b) for the purposes of any scheme established by, or under, Regulations made under the Act,

supplement paragraph (1) of this regulation by a notice published by them for that purpose.

(3) The Commissioners may vary the terms of any notice by—

- (a) publishing a fresh notice; or
- (b) publishing a notice which amends an existing notice.

3. Every taxable person shall keep and preserve such records as are required by regulation 2 for a period of six years or such lesser period as the Commissioners may allow.

### **The value added tax account**

4.—(1) Every taxable person shall keep and maintain, in accordance with this regulation, an account to be known as the value added tax account.

(2) The value added tax account shall be divided into separate parts relating to the prescribed accounting periods of the taxable person and each such part shall be further divided into two portions to be known as “the tax payable portion” and “the tax allowable portion”.

(3) The tax payable portion shall be comprised of—

- (a) a total of the output tax due from the taxable person for that prescribed accounting period;
- (b) every correction or adjustment to the tax payable portion which is required or allowed by regulations 5 or 7; and
- (c) every adjustment to the amount of tax payable by the taxable person for that prescribed accounting period which is required, or allowed, by, or under, any Regulations made under the Act.

(4) The tax allowable portion shall be comprised of—

- (a) a total of the input tax allowable to the taxable person for that prescribed accounting period by virtue of section 15 of the Act;
- (b) every correction or adjustment to the tax allowable portion which is required or allowed by regulations 5 or 7; and
- (c) every adjustment to the amount of input tax allowable to the taxable person for that prescribed accounting period which is required, or allowed, by, or under, any Regulations made under the Act.

## Correction of returns

5.—(1) This regulation applies where a person has, in accordance with Regulations made under the Act, furnished a return, or returns, to the Controller which overstated or understated to any extent his liability to tax or his entitlement to a payment under section 14(5) of the Act.

(2) In this regulation—

(a) “under-declarations of liability” means the aggregate of—

- (i) the amount (if any) by which credit for input tax was overstated in any return, and
- (ii) the amount (if any) by which output tax was understated in any return; and

(b) “over-declarations of liability” means the aggregate of—

- (i) the amount (if any) by which credit for input tax was understated in any return, and
- (ii) the amount (if any) by which output tax was overstated in any return.

(3) Where, in relation to all such overstatements or understatements that are discovered during a prescribed accounting period, the difference between—

- (a) under-declarations of liability, and
- (b) over-declarations of liability

does not exceed £1000 then the taxable person may correct his value added tax account in accordance with this regulation.

(4) In the tax payable portion—

- (a) where the amount of any overstatements of output tax is greater than the amount of any understatements of output tax a negative entry shall be made for the amount of the excess; or
- (b) where the amount of any understatements of output tax is greater than the amount of any overstatements of output tax a positive entry shall be made for the amount of the excess.

(5) In the tax allowable portion—

- (a) where the amount of any overstatements of credit for input tax is greater than the amount of any understatements of credit for input tax a negative entry shall be made for the amount of the excess; or
- (b) where the amount of any understatements of credit for input tax is greater than the amount of any overstatements of credit for input tax a positive entry shall be made for the amount of the excess.

(6) Every entry required by this regulation shall—

- (a) be made in that part of the value added tax account which relates to the prescribed accounting period in which the overstatements or understatements in any earlier returns were discovered;
- (b) make reference to the returns to which it applies; and
- (c) make reference to such documentation as relates to the overstatements or understatements.

(7) Where the conditions referred to in paragraph (3) of this regulation do not apply then the value added tax account may not be corrected by virtue of this regulation.

## Claims for recovery of overpaid tax

6. Any claim under section 24 of the Finance Act 1989 shall be made in writing to the Commissioners and shall, by reference to such documentary evidence as is in the possession of the claimant, state the amount of the claim and the method by which that amount was calculated.

## Adjustments in the course of business

7.—(1) This regulation applies where—

- (a) there is an increase in consideration, or
- (b) there is a decrease in consideration

which includes an amount of tax and the increase or decrease occurs after the end of the prescribed accounting period in which the original supply took place.

(2) Where this regulation applies the taxable person shall adjust his value added tax account in accordance with the provisions of this regulation.

(3) The maker of the supply shall—

(a) in the case of an increase in consideration, make a positive entry; or

(b) in the case of a decrease in consideration, make a negative entry

for the relevant amount of tax in the tax payable portion of his value added tax account.

(4) The recipient of the supply, if he is a taxable person, shall—

(a) in the case of an increase in consideration, make a positive entry; or

(b) in the case of a decrease in consideration, make a negative entry

for the relevant amount of tax in the tax allowable portion of his value added tax account.

(5) Every entry required by this regulation shall, except where paragraph 6 below applies, be made in that part of the value added tax account which relates to the prescribed accounting period in which the increase or decrease is given effect in the business accounts of the taxable person.

(6) Where any entry required by this regulation is to be made in the value added tax account of an insolvent person then any such entry shall be made in that part of the value added tax account which relates to the prescribed accounting period in which the supply was made or received.

(7) None of the circumstances to which this regulation applies is to be regarded as giving rise to any application of regulation 5.

#### **Calculation of returns**

8.—(1) Where a person is required by Regulations made under the Act to furnish a return to the Controller, the amounts to be entered on that return shall be determined in accordance with this regulation.

(2) In the box opposite the legend “VAT due in this period on sales and other outputs” shall be entered the aggregate of all the entries in the tax payable portion of that part of the value added tax account which relates to the prescribed accounting period for which the return is furnished.

(3) In the box opposite the legend “VAT reclaimed in this period on purchases and other inputs” shall be entered the aggregate of all the entries in the tax allowable portion of that part of the value added tax account which relates to the prescribed accounting period for which the return is furnished.

(4) Where any correction has been made and a return calculated in accordance with these Regulations then any such return shall be regarded as correcting any earlier returns to which regulation 5 applies.

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4th December 1989

*Diana Seammen*  
Commissioner of Customs & Excise

## EXPLANATORY NOTE

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

These Regulations, which come into force on 1st January 1990, make provision for the keeping of records and accounts by taxable persons under the Value Added Tax Act 1983.

Regulations 2 and 3 make provision for the type of records that should be retained by a taxable person and the length of time those records should be retained.

Regulation 4 provides that a taxable person shall keep a value added tax account. The regulation also states the form that account should take and what details should be entered.

Regulation 5 makes provision for the correction of errors that have been made on previous returns by the taxable person.

Regulation 6 makes provision for the form and manner in which claims for repayment of overpaid tax under section 24 of the Finance Act 1989 should be made.

Regulation 7 makes provision for the adjustment of the value added tax account in cases where there is a change in the amount of consideration due on a supply.

Regulation 8 makes provision for determining the amounts to be shown in the return furnished by the taxable person under regulation 58 of the Value Added Tax (General) Regulations 1985 (S.I. 1985/886; as amended by the Value Added Tax (General) (Amendment) (No. 3) Regulations 1989 (S.I. 1989/2256)).