

STATUTORY INSTRUMENTS

1995 No. 2518

The Value Added Tax Regulations 1995

PART V

ACCOUNTING, PAYMENT AND RECORDS

Adjustments in the course of business

38. —

(1) ^{F1}... This regulation applies where—

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

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

^{F2}(1A)

^{F3}(1B)

^{F4}(1C) Where an increase or decrease in consideration relates to a supply in respect of which it is for the recipient, on the supplier's behalf, to account for and pay the tax, the prescribed accounting period referred to in paragraph (1) is that of the recipient, and not the maker, of the supply.

But this paragraph does not apply to the circumstances referred to in regulation 38A.]

^{F5}(2) Where this regulation applies, both the taxable person who makes the supply and a taxable person who receives the supply shall adjust their respective VAT accounts in accordance with the provisions of this regulation.]

(3) ^{F6}Subject to paragraph (3A) below,] 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 VAT in the VAT payable portion of his VAT account.

^{F7}(3A) Where an increase or decrease in consideration relates to a supply on which the VAT has been accounted for and paid by the recipient of the supply, any entry required to be made under paragraph (3) shall be made in the recipient's VAT account and not that of the supplier.]

(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 VAT in the VAT allowable portion of his VAT account.

^{F8}(4A) In the case of an increase in consideration, no entry may be made under paragraph (4) unless the recipient of the supply holds the debit note which the supplier is required to provide under regulation 15C(2).]

[^{F9}(5) Every entry required by this regulation must be made in that part of the VAT account which relates to the prescribed accounting period in which the increase in consideration or decrease in consideration occurs.]

^{F10}(6)

(7) None of the circumstances to which this regulation applies is to be regarded as giving rise to any application of regulations 34 and 35 [^{F11}except insofar as there is an error arising from a failure to make any entry required by this regulation].

[^{F12}(8) Paragraphs (4A) and (5) do not apply in cases where an adjustment in relation to an increase or decrease in consideration has been made in accordance with this regulation before 1st September 2019.]

Textual Amendments

- F1** Words in [reg. 38\(1\)](#) omitted (1.4.2009) by virtue of [The Value Added Tax \(Amendment\) Regulations 2009 \(S.I. 2009/586\)](#), [regs. 1, 5\(a\)](#)
- F2** [Reg. 38\(1A\)](#) omitted (1.4.2009) by virtue of [The Value Added Tax \(Amendment\) Regulations 2009 \(S.I. 2009/586\)](#), [regs. 1, 5\(b\)](#)
- F3** [Reg. 38\(1B\)](#) omitted (1.4.2009) by virtue of [The Value Added Tax \(Amendment\) Regulations 2009 \(S.I. 2009/586\)](#), [regs. 1, 5\(c\)](#)
- F4** [Reg. 38\(1C\)](#) inserted (1.6.2007) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 2007 \(S.I. 2007/1418\)](#), [regs. 1, 4\(b\)\(i\)](#)
- F5** Words in [reg. 38\(2\)](#) substituted (1.4.2009) by [The Value Added Tax \(Amendment\) Regulations 2009 \(S.I. 2009/586\)](#), [regs. 1, 5\(d\)](#)
- F6** Words in [reg. 38\(3\)](#) inserted (1.6.2007) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 2007 \(S.I. 2007/1418\)](#), [regs. 1, 4\(b\)\(ii\)](#)
- F7** [Reg. 38\(3A\)](#) inserted (1.6.2007) by [The Value Added Tax \(Amendment\) \(No.3\) Regulations 2007 \(S.I. 2007/1418\)](#), [regs. 1, 4\(b\)\(iii\)](#)
- F8** [Reg. 38\(4A\)](#) inserted (1.9.2019) by [The Value Added Tax \(Amendment\) Regulations 2019 \(S.I. 2019/1048\)](#), [regs. 1, 8\(a\)](#) (with [reg. 2](#))
- F9** [Reg. 38\(5\)](#) substituted (1.9.2019) by [The Value Added Tax \(Amendment\) Regulations 2019 \(S.I. 2019/1048\)](#), [regs. 1, 8\(b\)](#) (with [reg. 2](#))
- F10** [Reg. 38\(6\)](#) omitted (1.9.2019) by virtue of [The Value Added Tax \(Amendment\) Regulations 2019 \(S.I. 2019/1048\)](#), [regs. 1, 8\(c\)](#) (with [reg. 2](#))
- F11** Words in [reg. 38\(7\)](#) inserted (1.9.2019) by [The Value Added Tax \(Amendment\) Regulations 2019 \(S.I. 2019/1048\)](#), [regs. 1, 8\(d\)](#) (with [reg. 2](#))
- F12** [Reg. 38\(8\)](#) inserted (1.9.2019) by [The Value Added Tax \(Amendment\) Regulations 2019 \(S.I. 2019/1048\)](#), [regs. 1, 8\(e\)](#) (with [reg. 2](#))

Modifications etc. (not altering text)

- C1** [Pt. 5](#) applied (31.12.2020) by [The Value Added Tax \(Northern Ireland\) \(EU Exit\) Regulations 2020 \(S.I. 2020/1546\)](#), [regs. 1, 34](#) (with [reg. 33](#)); [S.I. 2020/1641](#), [reg. 2](#), [Sch.](#)
- C2** [Pt. 5](#) applied (31.12.2020) by [The Value Added Tax \(Northern Ireland\) \(EU Exit\) Regulations 2020 \(S.I. 2020/1546\)](#), [regs. 1, 16](#) (with [reg. 15](#)); [S.I. 2020/1641](#), [reg. 2](#), [Sch.](#)

Commencement Information

- I1** [Reg. 38](#) in force at 20.10.1995, see [reg. 1](#)

Changes to legislation:

There are currently no known outstanding effects for the The Value Added Tax Regulations 1995, Section 38.