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STATUTORY INSTRUMENTS

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**2014 No. 548**

**The Value Added Tax (Amendment) Regulations 2014**

**Amendment of the Value Added Tax Regulations 1995**

**4.** After regulation 38 (adjustments in the course of business) insert—

“**38ZA.**—(1) Where—

- (a) there is a decrease in consideration for a supply of goods which includes an amount of VAT and the decrease occurs after the end of the prescribed accounting period in which the original supply took place,
- (b) the supply is the final supply in a chain of supplies made by taxable persons which relates to the same goods,
- (c) the decrease in consideration is as a result of a relevant payment (which may form part of a larger payment that includes an element of compensation) that reduces the taxable amount which serves as a basis for determination of the VAT payable by the first supplier, and
- (d) the amount of the relevant payment equates to the whole, or a proportion, of the price paid for the goods by the final consumer to the final supplier and does not exceed the amount so paid,

then, in regulation 38(2), the reference to “the taxable person who makes the supply” shall include a reference to the first supplier and the reference to “a taxable person who receives the supply” shall include a reference to a final consumer who is a taxable person.

(2) In this regulation—

“cash refund” includes a payment made by cheque or equivalent but does not include the provision of a face-value voucher falling within Schedule 10A to the Act<sup>(1)</sup>;

“final consumer” means the recipient of the supply referred to in paragraph (1)(b);

“final supplier” means the person who makes the supply referred to in paragraph (1)(b);

“first supplier” means the first person in the chain of supplies that ends with the final consumer;

“relevant payment” means—

- (a) a cash refund made by the first supplier direct to the final consumer—
  - (i) to reflect the reduced value (including a reduction to nil) of goods which are faulty, damaged or otherwise do not fully meet expectations of the final consumer,
  - (ii) as a result of a product recall, or
  - (iii) in accordance with the terms of a sales promotion scheme operated by the first supplier under the terms of which the final consumer is required to provide proof of purchase of specified goods to the first supplier; or

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(1) Schedule 10A was inserted by section 19 of, and paragraph 2 of Schedule 1 to, the Finance Act 2003 (c. 14).

- (b) a reimbursement made by the first supplier direct to the final supplier—
  - (i) which equates to the redemption value of a money-off coupon issued by the first supplier and used by the final consumer in part payment for goods purchased from the final supplier, or
  - (ii) to redeem a money-off coupon issued by the first supplier in any of the circumstances specified in sub-paragraph (a)(i) or (ii) and used by the final consumer in full or part payment for goods purchased from the final supplier.
- (3) Where the rate of VAT applicable to the supply made by the first supplier differs from the rate of VAT applicable to the supply made by the final supplier, the adjustment made by the first supplier shall be at the rate of VAT applied by the final supplier.”.