

**2017 No. 295**

**VALUE ADDED TAX**

**The Value Added Tax (Amendment) Regulations 2017**

<i>Made</i> - - - -	<i>7th March 2017</i>
<i>Laid before the House of Commons</i>	<i>8th March 2017</i>
<i>Coming into force</i> - -	<i>1st April 2017</i>

The Commissioners for Her Majesty's Revenue and Customs make the following Regulations in exercise of the powers conferred by section 26B of the Value Added Tax Act 1994(a):

**Citation, commencement and effect**

**1.**—(1) These Regulations may be cited as the Value Added Tax (Amendment) Regulations 2017 and come into force on 1st April 2017.

(2) The changes made by these Regulations have effect in relation to—

- (a) prescribed accounting periods commencing on or after 1st April 2017; and
- (b) the remaining portion of any prescribed accounting period which does not commence on but includes 1st April 2017, where “remaining portion” means that part of the prescribed accounting period which starts on 1st April 2017 and ends on the last day of the prescribed accounting period.

(3) Where paragraph (2)(b) applies, the changes made by these Regulations shall, for the purpose of determining the appropriate percentage applicable to the relevant turnover falling within the remaining portion of the prescribed accounting period, be applied as if the remaining portion were a separate prescribed accounting period.

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

**2.** Part 7A of the Value Added Tax Regulations 1995(b) (flat-rate scheme for small businesses) is amended as follows.

**3.** In regulation 55A, after paragraph (3) insert—

“(4) For the purposes of this Part, “limited-cost trader” is a flat-rate trader whose expenditure on relevant goods in any prescribed accounting period, together with any VAT chargeable on that expenditure, is less than the specified amount, and—

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(a) 1994 c.23 (“the Act”). Section 26B of the Act was inserted by section 23(1) of the Finance Act 2002 (c.23). Section 96(1) of the Act defines “the Commissioners” as meaning “the Commissioners of Customs and Excise” and “regulations” as meaning regulations made by the Commissioners under the Act. The functions of the Commissioners of Customs and Excise were transferred to the Commissioners for Her Majesty's Revenue and Customs by section 5(1) of the Commissioners for Revenue and Customs Act 2005 (c.11), section 50(1) of which provides that a reference to the Commissioners of Customs and Excise shall be taken as a reference to the Commissioners for Her Majesty's Revenue and Customs.

(b) S.I. 1995/2518. Part 7A was inserted by S.I. 2002/1142 and that Part was further amended by S.I. 2003/1069, S.I. 2003/3220, S.I. 2004/767, S.I. 2007/1418, S.I. 2009/586, S.I. 2010/2240 and S.I. 2010/2940.

- (a) “relevant goods” are goods used or to be used by a flat-rate trader exclusively for the purposes of the trader’s business but excluding the following—
  - (i) vehicles, vehicle parts and fuel except where the category of business applicable to the flat-rate trader in the Table is, in that prescribed accounting period, “Transport or storage, including couriers, freight, removals and taxis” and the flat-rate trader owns or leases a vehicle for that business;
  - (ii) food or beverages for consumption by the flat-rate trader or employees of the flat-rate trader;
  - (iii) capital expenditure goods;
  - (iv) goods for the purpose of resale, leasing, letting or hiring out except where the main business activity of the flat-rate trader ordinarily consists of selling, leasing, letting or hiring out such goods;
  - (v) goods for disposal as promotional items, gifts or donations;
- (b) “specified amount” is the higher of—
  - (i) 2 per cent of the trader’s relevant turnover in the prescribed accounting period; and
  - (ii) where the prescribed accounting period is one year, £1000, and, in any other case, such proportion of £1000 as the length of the accounting period bears to the period of one year.”.

4. In regulation 55D, for “55H and 55JB” substitute “55H, 55JB and 55KA”.

5. In regulation 55H—

- (a) at the beginning of paragraph (1), for “The appropriate percentage” substitute “Subject to regulation 55KA, the appropriate percentage”;
- (b) in paragraph (2)—
  - (i) in sub-paragraph (a)—
    - (aa) for “beginning with a relevant date” substitute “not falling within (b)”;
    - (bb) for “at the relevant date” substitute “on the first day of the period”;
  - (ii) omit sub-paragraph (c).

6. In regulation 55JB, at the beginning of paragraph (3), for “At any relevant date” substitute “Subject to regulation 55KA, at any relevant date”.

7. After regulation 55K insert—

**“55KA Appropriate percentage for limited-cost traders**

(1) This regulation applies for determining the appropriate percentage to be applied for a prescribed accounting period in which a flat-rate trader is a limited-cost trader.

(2) Where this regulation applies, the appropriate percentage is that specified in the Table for the category of business carried on by the trader in that prescribed accounting period but the number in the right-hand column is to be read as “16.5”.

(3) Except that, where regulation 55JB also applies, the number in the right-hand column is to be read as “15.5”.

8. In regulation 55N—

- (a) at the beginning of paragraph (1) for “Where—” substitute “Subject to paragraph (1A), where—”;
- (b) after paragraph (1) insert—
 

“(1A) Paragraph (1) shall not apply where a difference in the appropriate percentage arises only because of the application of regulation 55KA.”.

*Jim Harra  
Justin Holliday*

7th March 2017

Two of the Commissioners for Her Majesty's Revenue and Customs

## **EXPLANATORY NOTE**

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

These Regulations, which come into force on 1st April 2017, amend Part 7A (flat-rate scheme for small businesses) of the Value Added Tax Regulations 1995 (S.I. 1995/2518; "the Principal Regulations").

The effect of these amendments is to introduce a new flat-rate percentage for flat-rate traders who operate on a limited cost basis ("limited-cost traders").

Regulation 3 makes changes to the interpretation of Part 7A of the Principal Regulations with the insertion in regulation 55A of the Principal Regulations of a new paragraph which defines a limited-cost trader.

Regulation 5 makes consequential amendments to regulation 55H of the Principal Regulations with the effect that the appropriate percentage for flat-rate traders, for certain prescribed accounting periods, will no longer be determined by reference to the rate applied in a trader's previous prescribed accounting period.

Regulation 7 inserts a new regulation 55KA in the Principal Regulations. This applies an appropriate percentage rate of 16.5% to flat-rate traders who, for any prescribed accounting period, fall within the definition of "limited-cost trader" and a percentage rate of 15.5% for limited-cost traders in newly registered periods.

Regulation 8 inserts a new paragraph in regulation 55N of the Principal Regulations so that the notification requirement in regulation 55N will not apply to changes in the appropriate percentage arising only from the application of the new regulation 55KA.

Other consequential amendments are made in regulations 4 and 6.

A Tax Information and Impact Note covering this instrument will be published on the government website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.

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£4.25

UK2017030719 03/2017 19585

<http://www.legislation.gov.uk/id/uksi/2017/295>

ISBN 978-0-11-115564-6



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