



VALUE ADDED TAX ACT 1996

VALUE ADDED TAX (AMENDMENT) REGULATIONS 1998

Laid before Tynwald 17 February 1998

Coming into operation 1 January 1998

In exercise of the powers conferred on the Treasury by section 6(14) of the Value Added Tax Act 1996^(a), and of all other enabling powers, the following Regulations are hereby made :-

Citation and commencement

1. These Regulations may be cited as the Value Added Tax (Amendment) Regulations 1998 and shall be deemed to have come into operation on 1 January 1998.

Amendment

2. The Value Added Tax Regulations 1996^(b) shall be amended as follows.

3. In regulation 89 after the word "contract" insert "(other than one of a description falling within regulation 93)".

4. In regulation 90(1) after the words "where services" insert ", except those to which regulation 93 applies,".

5. For regulation 93 substitute -

"93. (1) Where services, or services together with goods, are supplied in the course of the construction, alteration, demolition, repair or maintenance of a building or any civil engineering work under a contract which provides for payment for such supplies to be made periodically or from time to time, those services or goods and services shall be treated as separately and successively supplied at the earliest of the following times -

(a) each time that a payment is received by the supplier,

(b) each time that the supplier issues a VAT invoice, or

^(a) 1996 c.1.
^(b) S.D. 194/96, as amended.

- (c) to the extent that they have not already been treated as supplied by virtue of sub-paragraphs (a) and (b) and subject to paragraph (2), the day which falls eighteen months after the date on which those services were performed.

(2) Sub-paragraph (1)(c) does not apply unless the services were performed on or after 9th December 1997.”.

Made

20/1/98



Minister for the Treasury

EXPLANATORY NOTE

(This note is not part of the Regulations)

These regulations, which come into operation on 1 January 1998, amend the rules governing the time when a VAT charge arises on a supply of construction services. The amendments prevent avoidance of VAT involving the deferral of a VAT charge under contrived contracts where payment for construction services was not due for many years.

Regulations 3 and 4 ensure that supplies of construction services covered by stage payments will be taxed in accordance with the amended rule for construction services, and not in accordance with other rules in the VAT Regulations, which concern continuous supplies of services and retention payments.

Regulation 5 amends the former rule for construction services covered by stage payments. Under the old rule it was the case that a VAT charge arose when payment was received by the supplier, or when a VAT invoice was issued. This will remain the case under the new rule, but in addition there will be a VAT charge 18 months after the construction services have been completed, on any part of the full charge for the construction services for which invoices have not already been issued or payments made.

The amendment includes a transitional relief, so that construction services completed before 9 December 1997 will be unaffected by the new rules.