

PART 8 Deductions

Chapter 1 General provisions

Deduction for tax borne or paid. VATA s. 12(1), (1A) and (2)

59.—(1) In this subsection and subsection (2)—

“qualifying activities” means—

(a) transport outside the State of passengers and their accompanying baggage,

(b) supplies of goods which, by virtue of section 30, are deemed to have taken place in the territory of another Member State but only if the supplier of those goods is registered for value-added tax in that other Member State,

(c) the operation, in accordance with Commission Regulation (EC) No. 2777/2000 of 18 December 2000⁵, of the Cattle Testing or Purchase for Destruction Scheme, by a body who is an accountable person by virtue of the Value-Added Tax (Agricultural Intervention Agency) Order 2001⁶,

(d) services specified in paragraph 6, 7 or 8 of Schedule 1 supplied—

(i) outside the Community, or

(ii) directly in connection with the export of goods to a place outside the Community,

(e) services consisting of the issue of new stocks, new shares, new debentures or other new securities by the accountable person in so far as such issue is made to raise capital for the purposes of the accountable person’s taxable supplies, and

(f) supplies of goods or services outside the State which would be taxable supplies if made in the State;

“qualifying vehicle” means a motor vehicle which, for the purposes of vehicle registration tax, is first registered, in accordance with section 131 of the Finance Act 1992⁷, on or after 1 January 2009 and has, for the purposes of that registration, a level of CO₂ emissions of less than 156g/km.

(2) Subject to subsection (3), in computing the amount of tax payable by an accountable person in respect of a taxable period, that person may, in so far as the goods and services are used by him or her for the purposes of his or her taxable supplies or of any of the qualifying activities, deduct—

(a) the tax charged to him or her during the period by other accountable persons by means of invoices, prepared in the manner prescribed by regulations, in respect of supplies of goods or services to him or her,

(b) in respect of goods imported by him or her in the period, the tax paid by him or her or deferred as established from the relevant customs documents kept by him or her in accordance with section 84 (3),

(c) subject to such conditions (if any) as may be specified in regulations, the tax chargeable during the period, being tax for which he or she is liable in respect of intra-Community acquisitions of goods,

(d) subject to section 61 and regulations (if any), 20 per cent of the tax charged to the accountable person in respect of the purchase, hiring, intra-Community acquisition or importation of a qualifying vehicle, where that vehicle is used primarily for business purposes, being at least 60 per cent of the use to which that vehicle is put, and where the accountable person subsequently disposes of that vehicle the tax deducted by that person in accordance with this subsection shall be treated as if it were not deductible by that person for the purposes of paragraph 12(c) of Schedule 1,

(e) the tax chargeable during the period, being tax for which the accountable person is liable by virtue of section 10 (1) in respect of the supply to such person of gas through the natural gas distribution network, or of electricity, but only where the accountable person would be entitled to a deduction of that tax elsewhere under this subsection if that tax had been charged to such person by another accountable person,

(f) the tax chargeable during the period, being tax for which the accountable person is liable by virtue of section 10 (2) in respect of goods which are installed or assembled but only where the accountable person would be entitled to a deduction of that tax elsewhere under this subsection if that tax had been charged to such person by another accountable person,

(g) the tax chargeable during the period, being tax for which he or she is liable by virtue of section 12, 13 or 17 (1) in respect of services received by him or her,

(h) the tax chargeable during the period, being tax for which the recipient (2)) is liable by virtue of section 16 (2) in respect of greenhouse gas emission allowances (2)) received by that recipient, but only where the recipient would be entitled to a deduction of that tax elsewhere under this subsection if that tax had been charged to such recipient by an accountable person,

(i) the tax chargeable during the period, being tax for which the principal is liable by virtue of section 16 (3) in respect of construction operations services received by that principal but only where that principal would be entitled to a deduction of that tax elsewhere under this subsection if that tax had been charged to such principal by another accountable person,

(j) the tax chargeable during the period, being tax for which the accountable person is liable by virtue of section 16 (1), 94 (6)(a) or 95 (8)(c) to (e), in respect of a supply to that person of immovable goods,

(k) the tax chargeable during the period in respect of goods) treated as supplied by him or her in accordance with section 19 (1)(f),

(l) subject to and in accordance with regulations, in respect of goods supplied under section 19 (1)(h) an amount equal to any residual tax included in the consideration for the supply,

(m) the tax charged to him or her during the period by other accountable persons in respect of services directly related to the transfer of ownership of goods specified in section 20 (2)(c),

(n) the tax chargeable during the period in respect of services treated as supplied by him or her for consideration in the course or furtherance of his or her business in accordance with section 27 (1)(c),

(o) a flat-rate addition, which shall be deemed to be tax, charged to him or her during the period by means of invoices prepared in the manner prescribed by regulations and issued to him or her in accordance with section 86 (1),

(p) the tax chargeable during the period, being tax for which he or she is liable by virtue of section 90 (5)(a) in respect of investment gold) received by him or her, and

(q) subject to such conditions (if any) as may be specified in regulations, in respect of goods referred to in section 92, the tax due in the period in accordance with that section.

(3) Subsection (2) shall not apply to—

(a) an accountable person referred to in section 9 (4) or 12 (3), or

(b) an accountable person referred to in section 9 (6) or 12 (5) unless the tax relates to racehorse training services supplied by him or her.

(4)(a) A person who, by election or in accordance with section 5 (2) is deemed to become an accountable person, shall, in accordance with regulations, be entitled, in computing the amount of tax payable by him or her in respect of the first taxable period for which he or she is so deemed to be an accountable person, to treat as tax deductible under subsection (2) such part of the value of the stock-in-trade held by him or her immediately before the commencement of that taxable period as could reasonably be regarded as the amount which he or she would be entitled to claim under subsection (2) if that person had been an accountable person at the time of the delivery to him or her of such stock-in-trade.

(b) No claim shall lie under this subsection for a deduction for the tax relating to any stock-in-trade if, and to the extent that, a deduction under subsection (2) could be claimed apart from this subsection.

(5) Where, in relation to any taxable period, the total amount deductible under this Chapter exceeds the amount which, but for this Chapter, would be payable in respect of such period, the excess shall be refunded to the accountable person in accordance with section 99 (1), but subject to section 100.