STATUTORY INSTRUMENTS

1986 No. 337 (C.9)

VALUE ADDED TAX

The Finance Act 1985 (Bad Debt Relief) (Commencement) Order 1986

Made - - - - - *25th February* 1986

The Treasury, in exercise of the powers conferred on them by section 32(2) of the Finance Act 1985**(a)**, hereby make the following Order:

1. This Order may be cited as the Finance Act 1985 (Bad Debt Relief) (Commencement) Order 1986.

2. Section 32(1) of the Finance Act 1985 shall come into operation on 1st April 1986.

T. Garel-Jones,
A. G. Hamilton,
Two of the Lords Commissioners
of Her Majesty's Treasury.

25th February 1986.

EXPLANATORY NOTE

(*This Note is not part of the Order.*)

This Order brings into operation on 1st April 1986 the amendment to the Value Added Tax Act 1983 (c. 55) contained in section 32(1) of the Finance Act 1985. That provision will apply where any person liable to pay an outstanding amount of the consideration for a supply chargeable with value added tax becomes insolvent on or after that date.

Section 32(1) substitutes a new provision for section 22 of the Value Added Tax Act 1983. This extends, in two main respects, the scope of the entitlement to a refund of the value added tax element of the outstanding consideration for a taxable supply, in circumstances where the person liable to pay that consideration has become insolvent. In addition to the existing categories of qualifying insolvencies, an individual will henceforth become insolvent for the purpose of a refund where he has entered into a deed of arrangement or composition or scheme for the benefit of his creditors. A company will become insolvent additionally where an administrator or an administrative receiver has issued a certificate as to the insufficiency of the corporate assets to cover the payment of any dividend for a debt which is neither secured nor preferential.

(a) 1985 c. 54.

SI 1986/337
ISBN 0-11-066337-3

