

Adjustment of input tax over-deducted due to change of use

44. (1) This regulation shall apply—

- (a) where a taxable person has deducted an amount of input tax which has been attributed to taxable supplies because he intended to use the goods or services in making either taxable supplies or both taxable and exempt supplies; and
- (b) during a period of six years commencing on the first day of the taxable period which the attribution was determined and before that intention is fulfilled, he uses the goods or services concerned—
 - (i) in making exempt supplies or both taxable and exempt supplies, instead of taxable supplies;
 - (ii) in making exempt supplies, instead of both taxable and exempt supplies; or
 - (iii) in continuing to make both taxable and exempt supplies, but reducing the proportion of taxable supplies to exempt supplies.

(2) Except as the Director General otherwise allows, where this regulation applies, the taxable person shall, on the return for the taxable period in which the use of the goods or services occurs, account for output tax, an amount equal to the input tax which has ceased to be attributable to taxable supplies, in accordance with the method under regulation 39 which he was required to use when the input tax was first attributed.

(3) For the purposes of this regulation, any question as to the nature of any supply shall be determined in accordance with the provisions of the Act and any regulations or orders made thereunder in force at the time when the input tax was first attributed.

(4) Subject to subregulation (1), where any goods or services which has been used and adjustment has been made in accordance with subregulation (2), no further adjustment under this regulation shall be made on the amount of input tax which has been accounted for.

(5) This regulation shall not apply to Part VIII.