

Amendments 18 and 19 to Clause 314: Deposit schemes

Summary

1. These amendments to clause 314 clarify how VAT is to be accounted for in relation to the deposit amounts that are not repaid, and ensure that the VAT liability for unreturned deposit amounts is the same as for the goods when they are sold.

Details of the amendment

2. Amendments 18 and 19 amend the text to clarify how to account for VAT on unreturned deposits. Section 55D(2) is amended and a new subsection (2A) is inserted. These changes make it plain that, for the purpose of clearly establishing the liability of certain persons to account for and pay VAT in relation to the deposit amounts, it is to be assumed that those amounts would, without section 55C(3), be part of the consideration for the supply of the relevant goods.

Background note

3. Clause 314 ensures that no VAT will be charged at any point in the supply chain in relation to the deposit element of the price for a deposit scheme product. There will only be a requirement to account for VAT by suppliers who make the first sale of standard rated deposit scheme products that include a deposit amount. That liability to account for VAT will be based upon the proportion of that supplier's sales where the packaging or container is not returned.
4. These amendments ensure that VAT is accounted for on unreturned deposits in the way originally intended but by different means. It will prevent any attempt to avoid the VAT liability by seeking to claim that the deposits would not normally be treated as part of the amount on which VAT is due.