

Clause 17 and Schedule 9: VAT treatment of vouchers

Summary

1. This clause and Schedule transpose Council Directive (EU) 2016/1065, which provides for the VAT treatment of vouchers, by amending the Value Added Tax Act 1994 (VATA 1994). Specifically, it amends section 51B of, and Schedule 10A to that Act and inserts sections 51C and 51D and Schedule 10B. This will make the rules for the tax treatment of vouchers consistent, especially where they can be used either in the UK or more widely in the EU - thus preventing either non-taxation or double taxation of the goods or services relating to the vouchers. It affects only vouchers, such as gift cards, for which a payment has been made and which will be used to buy something. The clause and schedule will have effect for vouchers issued on or after 1 January 2019. Vouchers issued before 1 January 2019 will be subject to the existing rules.

Details of the clause

2. Clause 17 introduces Schedule 9 which makes provision for the VAT treatment of vouchers.

Details of the Schedule

3. Paragraph 1 provides for amendments to VATA 1994.
4. Paragraph 2 amends section 51B so that Schedule 10A does not have effect with respect to face value vouchers (within the meaning of that Schedule) issued on or after 1 January 2019.
5. Paragraph 3 inserts section 51C to introduce Schedule 10B. Schedule 10B makes provision with respect to the VAT treatment of vouchers issued on or after 1 January 2019. This paragraph also inserts section 51D. Section 51D makes provision with respect to postage stamps issued on or after 1 January 2019.
6. Paragraph 4 amends the heading of Schedule 10A to make clear that it only covers face value vouchers issued before 1 January 2019.
7. Paragraph 5 inserts the new Schedule 10B to provide for the VAT treatment of vouchers issued on or after 1 January 2019.

New Schedule 10B

8. Paragraph 1 defines a 'voucher' for the purposes of Schedule 10B as an instrument in physical or electronic form in relation to which three conditions must be met. It also specifies that certain things are not vouchers.

9. Paragraph 2 gives the meaning of certain related expressions used in the Schedule.
10. Paragraph 3 sets out the general rule for the VAT treatment of vouchers, namely that the issue and any subsequent transfer of a voucher is to be treated as a supply of relevant goods or services.
11. Paragraphs 4 and 5 set out the special rules for Single Purpose Vouchers (SPV). Paragraph 4 provides that a voucher is an SPV when both of the following are known at the time it is issued (i) the place of supply of the relevant goods and services and (ii) that the voucher falls into a single 'supply category'. Paragraph 4 goes on to explain the supply categories. Paragraph 5 sets out what happens when an SPV is accepted as consideration for the provision of relevant goods or services and, in particular, what happens where the person who provides the relevant goods or services is not the person who issued the voucher.
12. Paragraphs 6 to 8 set out the special rules for Multi-Purpose Vouchers (MPV). Paragraph 6 provides that an MPV is any voucher that is not an SPV. Paragraph 7 provides that any consideration for the issue and subsequent transfer of an MPV is to be disregarded and any related input VAT may not be deducted. Paragraph 8 sets out what happens when a MPV is accepted as consideration for the provision of relevant goods and services. It provides that the provision of the goods or services is to be treated as a supply and specifies the value of such a supply. If the consideration for the most recent transfer is known to the supplier, VAT is due on that consideration. In any other case VAT is due on the face value of the voucher (as defined).
13. Paragraphs 9 and 10 make provision in relation to intermediaries (also known as agents). Paragraph 9 overrides section 47(3) VATA 1994 where a voucher is issued or transferred by an agent who acts in their own name. Paragraph 10 makes it clear that services provided by intermediaries in addition to the issue or transfer of vouchers are not affected by Schedule 10B.
14. Paragraph 11 makes provision in relation to situations where a voucher forms part of a composite transaction where the total consideration for the transaction is not different or significantly different from what it would be if the voucher were not issued or transferred. In such cases, the supply made on the issue or transfer of the voucher is to be treated as made for no consideration. This is an anti-avoidance provision similar to that provided for at paragraph 7 Schedule 10A VATA 1994.

Background note

15. The government's objective is to ensure that the amounts customers pay when using vouchers to obtain goods or services is better reflected in the tax base. It also wants to make improvements for business by modernising and harmonising the VAT treatment of vouchers. It aims to do this by providing new, clear rules which separate vouchers with a single purpose (e.g. a traditional book token) from the more complex gift vouchers and set out how and when VAT should be accounted for in each case. The new legislation is not concerned with the scope of VAT and whether VAT is due, but with the question of when VAT is due and - in the case of multi-purpose vouchers - the consideration upon which any VAT is payable.

16. HM Revenue and Customs (HMRC) is engaging with stakeholders about the business impacts of this clause and schedule. For this reason the Tax Information and Impact Note (TIIN) for this clause and schedule will be published on Budget day.
17. If you have any questions about this change, or comments on the legislation, please contact peter.bennet on 03000 585559 (email: peter.bennet@hmrc.gsi.gov.uk)

