HMRC - VATSC03100 - Basic Principles And Underlying Law: Scope Of VAT

The scope of VAT is defined in Section 4(1) of the VAT Act 1994:

VAT shall be charged on any supply of goods or services made in the United Kingdom, where it is a taxable supply made by a taxable person in the course or furtherance of any business carried on by him

A transaction is within the scope of UK VAT if the following four conditions are met:

it is a supply of goods or services

it takes place in the UK

it is made by a taxable person (someone who is, or is required to be registered)

It is made in the course or furtherance of any business carried on or to be carried on by that person.

To decide whether a transaction is within the scope of UK VAT, you should be satisfied that it meets all these conditions.

It is essential that you confirm that a transaction falls within the scope of VAT before moving to second-level questions of either mechanics, for example time of supply, input tax etc, or liability.

When a transaction does not meet all of the conditions that is the transaction:

is neither a supply of goods or services

does not take place in the UK

is not made by a taxable person, or

is not made in the course or furtherance of business

it is outside the scope of UK VAT.

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