HMRC - VATSC04100 - Basic Principles And Underlying Law: What Is A Supply Of Goods?

EU and UK law define a supply of goods. Article 14(1) of the Principal VAT Directive 2006/112 refers to the supply of goods as being the transfer of the right to dispose of tangible property as owner. This is reflected in UK law in the VAT Act 1994, Schedule 4, Paragraph 1, which refers to the transfer of whole property in goods.

Usually this means the transfer of both title to the goods and possession of, or control over, the goods. If possession of goods is transferred but title is retained, for example when goods are let out on hire, this is a supply of services see VATSC04600.

However, if possession of the goods is transferred in circumstances where title would normally pass, but title is not transferred because the holder of the goods did not have good title (for example when stolen goods are sold by the thief or other implicated person) this is a supply of goods as if title has passed. This follows the findings of the High Court in the Oliver case ((1980) STC 73), where the judge stated that supply should have a wide meaning and:

supply is the passing of possession in goods pursuant to an agreement where under the supplier agrees to part with and the recipient agrees to take possession. By “possession” is meant in this context control over the goods, in the sense of having the immediate facility for their use. This may or may not involve the physical removal of the goods.

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