HMRC - VATSC04200 - Basic Principles And Underlying Law: Transfer Of Title

Title in goods may be transferred immediately or at a future date.

Immediate transfer of title

This includes:

a contract of sale: outright sale (for example cash/cheque) credit sale (payment by instalments);

part-exchange, barter;

Transfer free of charge, for example gifts.

Future transfer of title

This is where possession of the goods passes immediately and may be followed at a later date by transfer of title.

Contract of sale.

Conditional sale (payment by instalments, title is transferred when full price is paid or another condition is met).

Romalpa clause (reservation of title agreement): an agreement for the sale of goods under which the seller retains ownership until the goods are fully paid for, or sometimes until everything owed by the customer has been paid.

The essential difference between conditional sale and Romalpa is that the former refers to payment by specific instalments whilst payment terms can vary in the latter. The VAT treatment of both is the same.

Hire purchase contract.

An agreement for the hire of goods for periodic payments, where the hirer has the option to purchase.

Sale or return.

Ownership remains with the supplier until the goods are adopted by the customer. Adoption means that the customer pays for them or otherwise indicates his wish to keep them.

Guidance on the implications of belated transfer of title on the time of supply can be found in VATTOS9550.

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