HMRC - VATSC05800 - The Law

VAT Act 1994, section 5(2)(b)

The VAT Act defines a supply of services as:

anything which is not a supply of goods but is done for a consideration (including, if so done, the granting, assignment or surrender of any right)…

It is clear from this definition that the scope of the law is wide-ranging and can mean that even seemingly negative arrangements constitute supplies of services - for example, agreeing to refrain from an action. It is important to remember though that services are only within the scope of VAT when there is consideration for them, whether monetary or non-monetary. There are exceptions to this rule and these are referred to below.

VAT Act 1994, Schedule 4 paragraph 1(1) and paragraph 5(4)

In addition, because goods are involved in them, the VAT Act identifies particular transactions as supplies of services in order not to confuse them with supplies of goods. These supplies are:

lease/ hire of goods

transfer/ sale of an undivided share of title in goods

the temporary application of business assets for non-business use, whether or not for a consideration.

It is important to distinguish these supplies from supplies of goods because there are different tax point - see VATTOS - and other provisions applying to goods and services.

VAT (Supply of Services) Order 1993 (SI 1993/1507)

This Order also makes a supply of services of the application of services to private or other non-business use, whether or not for a consideration.

For more on this see V1-13 Input Tax.

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