HMRC - VATSC22100 - Background

Business gifts are business assets disposed of for no consideration. As explained in VATSC21000, such disposals are deemed to be supplies for VAT purposes.

The size and value of gifts made by businesses varies but they are most often of low value - for example ties, umbrellas, and calendars. It would be onerous to expect a business to account for output tax on such disposals and Article 16 of the Principal Vat Directive (formerly Article 5.6 of the EC 6th VAT Directive) recognises this by not requiring every gift of a taxable person’s business assets to be treated as a supply for consideration (and therefore within the scope of VAT): gifts of small value may be given away without the need to charge VAT on them.

Such gifts are of course enjoyed tax-free and it is the Principal VAT Directive’s intention that only occasional gifts rather than countless gifts of small value to one person are to be included. Such a person might otherwise have a limitless source of tax-free goods.

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