HMRC - VATSC22400 - Inducements

Gifts must not be confused with supplies made for a non-monetary consideration for example inducements, where the donor is entitled to something in return which forms consideration for the “gift” and makes the supply on that basis.

Two tribunals illustrate where so called “business gifts” should be treated as inducements, that is when the “gifts” are given in expectation of some valuable return.

In Mitrolone Ltd (LON/88/1335X) the trader induced potential customers to attend a sales presentation by offering “gifts” to anyone qualifying who attended. The tribunal agreed with our view that the goods were not freely given business gifts, but supplied in the course of business for non-monetary consideration that is the customer’s attendance at the presentation, which was central to the trader’s business and hence valuable consideration.

In Granada Group plc (LON/87/250Z and LON/88/137Z) the trader offered “free” meals to drivers of coaches carrying passengers as an inducement to bring potential customers to the facilities. The meals were not given to drivers of empty coaches. The tribunal found a direct link between the act of bringing passengers to the service area and the provision of the free meal. (See VATSC30500 for information on direct link).

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