HMRC - VATSC27200 - VAT (Supply Of Services) Order 1993

The VAT (Supply of Services) Order 1993 (SI 1993/1507) came into effect on 1 August 1993. It ensures that private or non-business use of services is taxed where initially the tax was recovered because the services were originally purchased wholly for business purposes.

Most services by their nature are consumed at the point of delivery. However some services are akin to goods in that they provide tangible benefit that is used over time and whose use can therefore change. Examples are building construction and refurbishment, computer software and sporting rights.

What type of supplies are covered by the order?

A supply under the order occurs if a person has properly treated all the tax incurred as input tax and no apportionment has been made under section 24(5), and there is subsequent private or non-business use.

In principle a tax charge arises in respect of any private or non-business use but insignificant and occasional temporary changes of use can be ignored.

There may also occasionally be circumstances where services are purchased for purposes similar to a business gift of goods. The purpose is a wholly business one, but the services are used for a purpose unconnected with the business, for example the private use by an employee. In circumstances where the tax incurred has been recovered as input tax a supply occurs, parallel to that for business gifts of goods.

Exceptions

The order does not affect the following expenditure:

the maintenance or running costs of the company car fleet

retraining prior to redundancy

subsistence

relocation expenses

information technology supplied for home-working

outplacement.

The Order does not apply to services used for the provision of catering and accommodation for employees. Under the VAT Act 1994, Schedule 6, paragraph 10, VAT is not due unless there has been some consideration.

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