HMRC - VATSC33000 - Consideration: Off-Setting Charges

The consideration for a supply is everything that the supplier receives for making that supply. However, some companies attempt to reduce the value of the supplies they have received, or made, by off-setting (sometimes called netting-off) supplies received from other companies, against supplies made to those companies. This practice is incorrect as there are two separate supplies and VAT must be accounted in full. This is illustrated by the European Court’s decision in Chaussures Bally SA v Belgium Ministry of Finance 1993 STI 944.

Bally a shoe retailer appealed against a decision that where customers made payment by credit card it was required to account for VAT on the sale price of the goods. Bally contended that it need only account for VAT on the monies it received from the card company after deduction of the card company’s commission.

The ECJ rejected this contention. It found that the commission retained by the card company must be included in the consideration for the goods. The fact that the purchaser did not pay the purchase price directly to Bally but paid it to the card company was irrelevant. There were two separate transactions which could not be set off against each other.

Note: Please refer to V1-12 Valuation for further information.

Previous page

Next page