HMRC - VATSC33500 - Consideration: Price Deductions From Agricultural Produce

Many agricultural produce merchants buy goods from farmers on the basis of a standard price for standard produce. Merchants make an allowance against the prices they pay farmers for much of the produce which requires processing to bring it to the required standard after it leaves the farm gate. For example, where a contract is for delivery of grain of a refined moisture content a small deduction (which may include a statutory levy) may be made from the standard price if the merchant has to collect, dry and weigh the grain. Similar arrangements exist for cleaning and grading potatoes and for other produce.

In these circumstances there is a single supply of goods from the farmer to the merchant for the net amount payable. The merchant may issue a self-billed invoice for the farmers produce. If the produce is zero-rated, official self-billing permission is not required. Such invoices will usually show a price for the goods from which various charges are deducted.

In other circumstances the produce is processed before sale is arranged. In these cases the merchant will issue invoices for standard-rated services to the farmer. These must conform to the usual requirements. The farmer can use them to deduct input tax subject to the normal rules.

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