HMRC - VATSC51640 - Grants: HMRC's Approach

When deciding whether a payment is within the scope of VAT you must treat each agreement on its own merits and apply the basic rules of VAT to it, as set out in the legislation

For a transaction to fall within the scope of VAT there must always be a supply, a consideration and a direct link between the two. A payment is not consideration for a supply if one of these factors is missing.

The following points will help in deciding whether a payment is consideration for a supply for VAT purposes:

Does the grantor receive anything in return for the payment?

Are there any conditions attached to the payment that go beyond merely having to mention it in account statements?

What will the payments be used for?

If the funder does not benefit directly, does any third party receive a benefit?

Is there a contract and what are the terms and conditions?

Factors indicating whether or not a payment is consideration for a supply are contained in

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