HMRC - VATSC51660 - Grants: Relevant Legislation

The relevant legislation is the \*Principal VAT Directive (Dir 2006/112) \*and the \*VAT Act 1994. \*Both EU and UK legislation define what falls within the scope of VAT, and those definitions are very broad. If a transaction does not fall within the definition it is outside the scope of VAT.

Article 2 of the Principal VAT Directive (Dir 2006/112) provides:

(1) The following transactions shall be subject to VAT:

(a) the supply of goods for consideration within the territory of a Member State by a taxable person acting as such ….

(c) the supply of services for consideration within the territory of a Member State by a taxable person acting as such

Later, Article 73 provides:

In respect of the supply of goods or services, other than as referred to in Articles 74 to 77, the taxable amount shall include everything which constitutes consideration obtained or to be obtained by the suppliers, in return for the supply, from the customer or a third party, including subsidies directly linked to the price of the supply.

UK Legislation

The VAT Act 1994 states:

Section 1 (Value added tax)

(1) Value added tax shall be charged in accordance with the provisions of this Act

(a) on the supply of goods or services in the United Kingdom (including anything treated as such a supply.)

Section 4 (Scope of VAT on taxable supplies)

(1) VAT shall be charged on any supply of goods or services made in the United Kingdom where it is a taxable supply made by a taxable person in the course or furtherance of any business carried on by him.

Section 5 (Meaning of supply)

(2) …

(a) “supply” in this Act includes all forms of supply; but not anything done otherwise than for a consideration;

(b) anything which is not a supply of goods but is done for a consideration (including if so done, the granting, assignment or surrender of any right) is a supply of services.

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