HMRC - VATSC51800 - Grants: Indicators Of The Supply Position

This guidance sets out indicators to consider when deciding whether or not a payment is consideration for a supply which have been taken from precedent decisions.

The following terms are used –

Funder – the organisation making the payment

Supplier – the organisation receiving the payment and supplying goods or services to third parties

All factors need to be considered, the more there are from each section the greater the evidence for a decision. However, it is not simply a matter of ‘indicators for’ exceeding ‘indicators against’, a balanced view needs to be formed taking all the applicable indicators into account. You must consider the economic reality not just the contractual terms.

The principal factor to consider is if a specific supply is made to the funder or a third party in return for a payment. If so then the payment is consideration for a supply, but if this direct link is not established then the payment can be treated as outside the scope of VAT.

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