HMRC - VATSC61800 - Compensation For Damaged Goods

This covers the situation when goods are lost or destroyed when out of the custody of the owner when they are either supplied on hire or left in trust, for example leaving them for repair. Either replacement goods similar to the original will be given or a payment made to cover the cost of repair or replacement. These are not supplies made for any consideration and so are outside the scope of VAT.

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