HMRC - VATSC62000 - Manufacturers’ Warranties

Repairs under warranties

A manufacturer’s warranty on a new purchase will last for an initial set period and covers the reliability of the item while it is still new and expected to be mechanically sound. When the manufacturer makes a repair under this warranty there is no supply for VAT purposes, even if new parts are supplied. This is because the original goods were costed to allow for such repairs and to tax the warranty repair again would result in double taxation.

Overseas manufacturers

The same rules apply if an overseas manufacturer is involved. Usually, any warranty repairs are carried out by the UK importer or distributor as part of the after sales service to the customer and there is no supply by the UK company to the customer. The payment made by the overseas manufacturer to the UK repairer to meet the cost of repairs is regarded as compensation and is not consideration for a supply.

Third party repairs

If a dealer or third party carries out a repair on behalf of either a UK or overseas manufacturer this is not covered by the warranty. The repair is a supply by the third party to the manufacturer and the charge is the consideration.

Further information

Further information on warranties can be found in VAT Insurance Guidance

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