HMRC - VATSC73840 - Repossession Does Not Generally Create A Supply Of Services

When an agreement involving

option payments

“put and call” options

balloon payments, or

credit

(see VATSC72600) is terminated prematurely and the goods are repossessed, it might seem that the agreement becomes one of hiring and not purchase. But a later event cannot change the nature of a transaction. Because title is intended to pass eventually, such agreements are for VAT purposes supplies of goods at the outset and this does not change (see VATSC72600). However, the repossession of the goods is not a supply of goods since title has not yet passed. The goods return to their legal owner. This is not a supply of services either, because there is no consideration.

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