HMRC - VATSC75800 - Whether Supplies Are Goods Or Services: Supplies Of Goods Where Title Is Not Held

Circumstances where title is not held by the supplier include:

the supply of stolen goods

where goods supplied under an agreement of sale (that is when title transfers at a future date) are supplied to a third party before title has transferred and without the consent of the original owner.

In both cases there is still a supply for VAT purposes.

Oliver (see VATSC04100) traded in stolen cars, to which he therefore lacked good title, and thus rendered the contract of sale void. However because of the wide definition of supply adopted in this case, the validity of the contract was irrelevant provided that two criteria were met: firstly that there were goods, and secondly that they were passed to someone else for consideration.

In Phillip Drakard Trading (LON/89/1473X) outstanding amounts due on HP agreements for two lorries were paid to the finance companies by a third party when the customer (in financial difficulties) passed the lorries to the third party. There was no transfer of the agreements by the finance companies. The High Court accepted our view that Drakard supplied the lorries to the third party for consideration (the payments to the finance companies) and that VAT was due.

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