HMRC - VATSC76400 - Further Guidance: Commodity Futures

Transactions of this kind are made on the various commodity markets. The contracts are similar in form to ordinary forward contracts for goods. But in practice delivery does not usually take place under futures transactions. This is because the purchaser under a futures contract usually offsets all obligations (“closes out”) by selling an equal quantity of goods of the same description under another contract for delivery on the same date. Likewise, a seller under one contract can close out by entering into another equivalent contract for the purchase of goods. A clearing house then matches all the contracts on the date when delivery is due and arranges for traders who have sold more goods than they have bought to make delivery to traders who are in the reverse position.

For VAT purposes futures contracts are treated in the same way as other forward contracts. The supply is a supply of goods. It is not a supply of services when the contract is made, followed by a supply of goods when title in them passes.

The HQ branch with policy responsibility for this is VAT Deductions and Financial Services Team.

Previous page

Next page