HMRC - VATSC76600 - Further Guidance: Dealings In Precious Metals

It may be particularly difficult to determine whether transactions involving precious metals constitute a supply of goods or of services. This difficulty reflects, to a great extent, the dual use of precious metals both as inputs to ordinary manufacturing processes and as vehicles for the provision of financial services. The variety of transactions involving precious metals is wide and cases which cannot be dealt with clearly under the rules set out in this sub-paragraph are to be reported to VAT Deductions and Financial Services Team

Futures contracts

These are to be dealt with in accordance with VATSC76400.

“Spot” sales

If the contract provides for physical delivery of precious metal, immediately or within a few days, and envisages that physical delivery will take place unless the purchaser “closes out” by selling an equal quantity of metal of the same description under another contract for delivery on the same date, the supply is of goods. If, however, the contract provides for a supply of “unallocated” precious metal (gold, including gold coin, silver, platinum or palladium) to be made at the time that the contract is entered into or shortly afterwards, and does not envisage that physical delivery of the metal will necessarily occur if the contract runs to maturity, the supply is of services and not of goods. It is regarded as the provision of financial services within the meaning of VAT Act 1994, Schedule 5, paragraph 5. Where these services are exported they are outside the scope of UK VAT but may qualify for input tax recovery under VATA 1994, Section 26(2)(b). If the services are received from abroad there is a reverse charge, unless covered by the zero-rating in the Value Added Tax (Terminal Markets) Order 1973 or the exemption in Schedule 9, Group 15 of the VAT Act 1994. For further guidance see Notice 701/21 Gold.

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