HMRC - VATSC76800 - Further Guidance: Options

The sale of an option is the granting of a right and therefore a supply of services by virtue of VATA 1994, Section 5(2)(b). It is a financial service within the meaning of VATA 1994 Schedule 5, paragraph 5. The sale of an option to a non-UK counterparty is therefore outside the scope of UK VAT but may qualify for input tax recovery under VATA 1994, Section 26(2) the VAT (Input Tax) (Specified supplies) Order 1992. There is a reverse charge when options which would have been taxable if sold in the UK are received from abroad. (For the treatment of brokerage services of arranging transactions in options seeNotice 741 Place of supply of services).

A further supply occurs if, and when, the option is exercised. The consideration for this further supply is the additional amount which the customer must pay in order to exercise the option and does not include the amount paid for the purchase of the option itself.

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

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