HMRC - VATSC80300 - Why Is It Important To Distinguish Between Single And Multiple Supplies?

The underlying principle set out by the courts is that each supply of a service must normally be regarded as distinct and independent. The same must be the case for each supply of a good. This principle will cover many transactions across the economy - for example, the weekly supermarket shop; the purchase of a magazine, a greetings card and a pen from the stationer; or a family outing to the cinema - admission and a separate purchase of drinks and snacks.

However, a supply that comprises a single service from an economic point of view should not be artificially split. This guidance addresses the situation where a transaction consists of more than one element. It is important to know whether one liability to VAT applies to the whole transaction, or whether each component constitutes a supply in its own right, to be taxed or relieved from VAT individually.

In circumstances where there is a single supply with different elements, there may also be disputes about what constitutes the principal component of the supply as this will affect the overall liability. Examples have included providing zero-rated books with standard-rated tuition or providing standard-rated catering during zero-rated transport.

Deciding whether or not a transaction is a single supply can be a contentious area, not least because there is no definition of single or multiple supplies in either EU or UK VAT legislation and we are therefore reliant on case law precedents to give guidance. One exception is the very specialised Tour Operators Margin Scheme (article 307 of the Principal VAT Directive (2006/112)), s53(2) VATA and Article 3(2) SI 1987/1806), which has its own deemed single supply rule that needs to be considered for bought-in travel related supplies.

Information on particular subject areas is contained within the relevant VAT guidance, for example how to treat printed matter is in VBOOKS - VAT Books For other topics affected by single/multiple supply issues, you should always consult the relevant notice or guidance on the subject in addition to this part of the guidance.

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