HMRC - VATSC80600 - The Supply Splitting Anti-Avoidance Legislation

The Finance Bill 2011 introduced legislation to counter specific supply splitting avoidance involving printed matter and was based on CPP principles. This legislation amended Group 3, Schedule 8 of VATA 1994 for supplies made on or after 19 July 2011 and withdrew zero-rating from printed matter where:

the supply of printed matter is connected with a supply of services

the supplies referred to are made by different suppliers

HMRC’s view is that where there is a combination of printed matter and other services:

elements of what would constitute a single supply if made by the same person are supplied by different suppliers; and

the customer has no real opportunity to decline to take an element of the package either because of the contractual terms or pricing structure,

the arrangements should be taxed as if a single supply had been made.

This legislation is intended to counter supply splitting arrangements identified by HMRC. The information issued at the time said HMRC would ‘continue to take action to counter instances of supply splitting in other areas where ‘packages’ of goods and services are supplied and the constituent elements are subject to different rates of VAT and where there is evidence of value shifting between the elements to ascribe a higher value to those which are subject to the lower rates of VAT at the expense of those taxed more highly’.

If you suspect a single supply of printed matter has been artificially split, you should seek advice from the TAPE Team and VAT Policy.

Previous page