HMRC - VATSC83300 - The Linked Goods Concession

This is the Extra Statutory Concession 3.7 - VAT on minor promotional items supplied in linked supplies scheme.

The Concession allows a minor article to follow the VAT liability of a major article to which it is linked when sold for a single price. This applies to both goods and services and is on the basis that the minor article costs the supplier no more than 20% of the total cost of the combined supply and costs the supplier no more than £1 if included with goods intended for retail sale or £5 otherwise.

This concession should not be used to determine whether a particular situation is a single or multiple supply. The current policy as set out in VATSC80400 should be followed, so if a minor item is truly ancillary to the main item this means there is only one supply where the main item determines the VAT liability.

The ESC is therefore only used if there are multiple supplies and there is a single price charged. In this situation HMRC normally requires a split in the single consideration between the different liabilities, but where we wish the minor supply to follow that of the major one because of its low value then the concession is used.

You should also note this concession cannot be applied retrospectively. It is in the nature of any concession that it gives an alternative treatment to the strict application of the legislation so if a business does not use it at the time of the supply this cannot be subsequently altered because the original treatment was not wrong.

Examples of goods packaged together which do not fall under this Concession because they are multiple supplies include:

a book with an accompanying CD or DVD, each of which may be used independently of the book, and which require particular equipment for their use

a children’s colouring book issued with felt tip pens, where the pens are not restricted in use to the book they are sold with

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