HMRC - VATSC83400 - The Two-Part Tariff

The two part tariff is a situation where there are two or more payments involving apparently different transactions at different times but amount to the purchase of a single supply. The two transactions in such cases must be part of a single supply, not optional extras or subject to availability. Also, both payments have to be made to the same entity for the concept of the two-part tariff to be valid.

This concept was introduced in the case of British Railways Board (Court of Appeal 1977 STC 221) where two payments were made for a British Railways Student Card. The first payment was for the card itself, which enabled the student to buy cut-price rail tickets. The second payment was made when the actual ticket was purchased.

BR argued the two payments were both for a zero-rated supply of travel rather than a supply of a right to a discount and separate supply of travel. The Court of Appeal supported this argument and held the transaction should be looked at as a whole, including both the issue of the card and the later taking of a ticket. The decision was that there were not two separate supplies of the right to a discount followed by discounted travel. Rather, the payment for the card was part payment in advance for the supply of transport, hence the term ‘two-part tariff’ for one supply.

Although an old case, the decision is supported by subsequent case law such as CPP which urges you to look at the situation as a whole, leading to the conclusion in these circumstances it was not artificial to view the two elements as a single supply.

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