Implementation of EU Directive on VAT and vouchers: HMRC consultation

Indirect Tax

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HMRC consults on how to transpose a recent EU VAT Directive on VAT and vouchers into UK law. HMRC also wishes to be alerted to any issues that the new rules may present and whether greater clarity is required in some areas.

HMRC published a consultation document on 1 December 2017, which requests feedback on the anticipated administrative burden and financial impact on UK businesses of implementing the changes to accounting for VAT on certain vouchers required by the EU Vouchers Directive, to be effective from 1 January 2019.

The new legislation is to be specific to physical or electronic vouchers for which a payment has been made, give the right to purchase goods or services and in respect of which there is an obligation for the voucher to be accepted as consideration. It does not apply to discount vouchers including money off vouchers, postage stamps, tickets for transport, or admission tickets for cinema and theatre.

Why do we need to revisit the VAT position on vouchers?

On 27 June 2016, the Council of the European Union published the EU Vouchers Directive (Council Directive (EU) 2016/1065) ('the Directive'), which amends the Principal Directive (2006/112/EC).

The new legislation seeks to harmonise the rules on vouchers across the EU and takes effect for all vouchers sold on or after 1 January 2019. Although the UK has voted to leave the EU, this will not take place until March 2019, so as an existing EU member on 1 January 2019, the UK must implement the Directive.

How will the EU Vouchers Directive change the current position in the UK?

The UK VAT rules on vouchers are set out in Schedule 10A of the VAT Act 1994. The UK legislation uses the terms ‘face-value vouchers’, ‘retailer vouchers’ and ‘credit vouchers’, with only paragraph 7A referring to single purpose vouchers (‘SPV’), whereas the Directive uses the terms single purpose voucher and multi-purpose voucher (‘MPV’), so alignment of these terms will be needed in UK legislation.

Single Purpose Voucher (SPV)

The Directive broadens the definition of a SPV (Article 30A(2)) from the current UK definition, as it does not limit the scope to ‘goods or services of one type’ as it does in paragraph 7A of Schedule 10A. This means that if a supplier currently sells different types of goods that are subject to a single VAT rate, a retailer voucher would not currently be a SPV as the goods sold are not the same. However from 1 January 2019, the broader scope of the Directive’s definition means that such vouchers must be brought into scope of the SPV definition.

Multi Purpose Voucher (MPV)

The Directive defines an MPV (Article 30A(c)) as a voucher that isn’t an SPV. In effect, this is a voucher that can be used to pay for goods and services where the VAT cannot be determined at the time of sale of the voucher, for example the retailer sells products subject to the standard, reduced and zero rates of VAT and where the voucher could be used to buy any combination of these goods.

VAT treatment

VAT will be due at the point of sale of an SPV and thereafter on each occasion where such vouchers are sold and purchased in a supply chain. The final sale of goods or services in exchange for the SPV would not create a tax point for VAT purposes, as the output VAT would have already been declared by the supplier at the time of the original sale of the voucher.

The sale of an MPV will not be subject to VAT at the time of sale, nor is VAT due on any subsequent sale and purchase of the MPV in a supply chain. The final sale of goods or services to the consumer will be the point at which VAT is declared by the

supplier.

Businesses will need to review the VAT position for vouchers currently treated as MPVs but which will come into the scope of the SPV definition.

Next steps

The consultation document can be found at on GOV.UK. Please send any comments to CIOT at technical@ciot.org.uk by 7 February, or directly to HMRC at alan.mckay@hmrc.gsi.gov.uk by 23 February 2018. It is anticipated that the draft legislation will be published by HMRC in summer 2018.