# VAT and vouchers: CIOT responds to consultation

**Indirect Tax**

01 April 2018

The CIOT responded to HMRC's consultation on VAT and vouchers, arising from the EU Vouchers Directive (2016/1065 of 27 June 2016) that seeks to harmonise the voucher rules throughout the EU.

The implementation date for the voucher directive is 1 January 2019, which is prior to the UK leaving the EU. Therefore, the UK has been involved in the EU discussions leading up to the adoption of the Directive and will update the UK rules to comply with the Directive from the implementation date, and for at least the time whilst it remains a member of the EU.

A summary of the main points raised in our response are as follows:

## Complexity of rules and new definitions

The VAT legislation and guidance covering the rules for vouchers have regularly been areas of complexity for taxpayers. The Directive introduces two definitions for vouchers: single purpose voucher ('SPV') and multi-purpose voucher ('MPV'), described more fully in an article in Technical Newsdesk in the February 2018 issue of Tax Adviser. Once it is understood that the word 'purpose' relates to the supply of goods and /or services charged at a single or multiple VAT rate, they seem simpler to understand than the UK's current definitions of face-value vouchers, retail vouchers and credit vouchers.

However, our response highlights that some complexity will still remain for taxpayers, particularly for businesses where vouchers can be used for multiple supplies that can include the excepted supplies (transport, admission tickets, postage stamps, online credits and SIM cards). There still appears scope for things to go wrong.

We would welcome a wide range of examples published in guidance to provide clarity to taxpayers, including for intermediaries and those with more complex voucher portfolios.

## Intermediaries and agency arrangements

The Directive may impact the way MPV intermediaries structure their businesses as sales of MPVs between intermediaries will be outside the scope of VAT from 1 January 2019. In order to retain the same input VAT recovery position, a proposed solution is to move from a voucher buy/sell arrangement to a commission based agency arrangement. Agency arrangements and VAT are another area of complexity for businesses and advisers and the costs and administrative burdens may impact the small and medium business sector disproportionately. We would again welcome clear examples of agency arrangements published in guidance.

The full text of our response can be found on the CIOT website.

If you have any comments please send to technical@ciot.org.uk.