

## VAT Treatment of Face Value Vouchers (Single Purpose)

As a consequence of a recent EU Judgment there will be changes to the VAT rules for *certain types* of face value vouchers.

These changes will be introduced in the 2012 Finance Act and the changes will be *backdated to 10<sup>th</sup> May 2012* once the changes become law.

The EU Judgment relates to a case involving a telecommunications business called Lebara Ltd and although this case was concerned with the supply of telecommunications services via the use of a voucher, the principles considered by the Court are of general application and will apply to other *single purpose vouchers* that can be used to obtain only one type of good or service.

As a consequence of the judgment, it has been necessary to amend the VAT treatment of certain types of face value vouchers. However, businesses issuing and redeeming the affected types of vouchers will not be required to account for VAT under the new rules until the Finance Bill receives Royal Assent. They will then need to make an adjustment to cover the intervening period.

### The Existing VAT treatment for face value vouchers

A face value voucher is any voucher, token or stamp that carries the right to receive goods or services to a value shown on it or contained within it. Under the existing rules there are two main types of face value vouchers: retailer vouchers and credit vouchers.

- A retailer voucher is a voucher issued by the same person who will redeem it.
- A credit voucher is any type of face value voucher that is issued by one person but which can be exchanged for goods and services from another person. This includes, for example, gift tokens sold by one company that can be exchanged for goods or services in a variety of high street shops.

All the consideration for all supplies of credit vouchers is currently disregarded with VAT being brought to account by the redeemer when the vouchers are exchanged for goods or services. With retailer vouchers the initial consideration on issue is disregarded but the vouchers are then taxed for subsequent supplies. Again the issuer is required to account for VAT on the supply when the voucher is redeemed.

### The Changes

As a result of the changes, single purpose face value vouchers will be taxed when they are issued. This will affect all single purpose vouchers, whether credit, retailer or other types of voucher.

For example a restaurant produces vouchers that entitle the holder to £100 worth of catering services. The restaurant only supplies standard rated VAT services.

The restaurant should now account for VAT when it sells the voucher for £83.33 + VAT of £16.67 rather than when the voucher is redeemed for the services provided. Previously, it would account for VAT when the voucher is redeemed.

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