

## Update on VAT and direct mail

16 DECEMBER 2014

Graham Elliott

CONSULTANT | UK

**CATEGORY:**

ARTICLE

There have been fresh developments relating to the VAT treatment of outsourced mailing pack supplies, following intervention from Charity Tax Group and The Direct Marketing Association.

Your direct mail house may well have been zero rating supplies involved in design, print, sorting, and delivering of 'packs' that comprise a selection of zero rated printed materials (usually used for fundraising). A few weeks ago HMRC refused to accept that this was the correct approach and informed the DMA accordingly. After negotiation, HMRC has reached the following position:

1. Where the service only involves design, print, and necessary sorting of packs (the details around which we can discuss), the zero rated treatment remains available.
2. If the service goes an extra step and involves the actual delivery, all of the supply (not merely delivery) becomes standard rated. But,
3. If the direct mail house instead acts as agent in arranging for the delivery company to supply its service direct to the charity, the direct mail house's service reverts to being zero rated. And,
4. This will probably give the opportunity to buy a largely exempt postal service from the Royal Mail. (there is more detail related to this)
5. More general marketing services and/or advice as to whom the packs should be sent (including supplying databases) will have to be a separate standard rated service.
6. As regards implementation date, this is now to be 1 April 2015 in cases where the sole service provided hitherto has been of design, print, sort, and delivery. The 'amnesty' up until then does not apply to extra services that go beyond this.
7. In our view the concept that the delivery element changes the supply to a standard rated one is flawed and could be challenged, but the issue is whether that is worthwhile and whether a direct mail house would be prepared to do so.

# Authors

Graham Elliott

CONSULTANT | LONDON

International corporate tax

 +44 20 7597 6112

 [graham.elliott@withersworldwide.com](mailto:graham.elliott@withersworldwide.com)