

VAT AND THE PRINT INDUSTRY

HOW THE BPIF CAN HELP YOU WITH VAT.

THE VAT TREATMENT OF GOODS SUPPLIED BY THE PRINT INDUSTRY

Many, but not all, goods supplied by the print industry benefit from the zero-rate of VAT.

The main advantage of zero-rating, compared to VAT exemption, is that VAT on costs incurred for the purpose of making zero-rated supplies can be fully recovered as input tax.

Currently the UK VAT rules apply zero-rating to the following goods produced by paper, and similar materials such as card:

- Books, booklets, brochures, pamphlets and leaflets
- Newspapers, journals and periodicals
- Children's picture books and painting books
- Music (printed, duplicated or manuscript)
- Maps, charts and topographical plans
- Covers, cases and other articles supplied with items 1 to 5 and not separately accounted for

With the exception of talking books for the blind and handicapped, which are subject to the zero-rate of VAT, the standard rate of VAT applies to goods containing text in other formats, for example cassette and CD ROM formats. The standard rate of VAT also applies to labels for any purpose and to plans for drawings for industrial, architectural, engineering, commercial or similar purposes.

THE VAT TREATMENT OF SERVICES SUPPLIED BY THE PRINT INDUSTRY

The supply of text by electronic transmission (including e-books), via the internet, or similar means is a supply of services rather than goods and is subject to the standard rate of VAT.

The following services can qualify for zero-rating when supplied for the purpose of supplying zero-rated printed materials (goods):

- The creative design, drafting and preparation of printed matter
- The printing of direct mail pack using pre-sorted or unsorted data provided by the printing supplier's customer, so that the mail packs include names, addresses, postcodes and barcodes
- The printing of direct mail packs and correction of data supplied by the printing supplier's customer (data correction includes only (i) amendment in accordance with Royal Mail address format guidance (ii) amendment to comply with the requirements of the Mail Preference Service, and (iii) removal of 'gone-aways' and the deceased).
- The delivery of the printed matter to the customer or a mail operator appointed by the customer

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Direct marketing via mail (addressed or unaddressed, such as ‘door drops’) or inserts in newspapers or magazines typically involves the production or acquisition of printed matter for distribution and any or all of the following services:

- Posting or arranging the posting of customer mail such as publicity, advertising material or promotional goods to many recipients, including unaddressed mail (known as ‘door drops’)
- Analysis or manipulation of data (either provided by the customer or sourced directly) for strategic or marketing reasons for example, to target direct mail at specific groups based on geography, socio-economic factors or gender of recipients
- Purchase or rental of third party mailing lists, including for amalgamation with customer’s own lists
- Analysis of own and customer data to produce reports on campaign results and advice on strategy

When any of the direct marketing services listed above, or any other marketing related services, are supplied with printed matter as a single supply, then the services are subject to VAT at the standard rate. Where printed matter and other services are supplied separately so that there are multiple supplies, each component is subject to its own VAT treatment.

SINGLE SUPPLY	MULTIPLE SUPPLIES
An example of when a single supply occurs is where a supplier prints leaflets for a business and, as part of the contract, amends the customer data of the business so that address and postcode details are correct.	An example of when multiple supplies occurs is where a supplier provides marketing strategy advice to a business and offers the option, under a separate contract, of printing leaflets. These are multiple supplies, one of providing standard rated marketing advice and one of producing zero-rated goods.

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There are a host of potential VAT risk areas for businesses. Even for ‘safe’ businesses, new types of transactions arising from time to time can have VAT repercussions. Typical risk areas for VAT include:



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