

PRESS RELEASE

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BPIF joins forces with marketing and advertising trade bodies to press for VAT clarification for direct mail

Trade bodies representing the printing, marketing and advertising sectors have come together to make a joint submission to HM Revenue & Customs to clarify the VAT position for companies supplying printed matter for marketing purposes, such as direct mail and mail inserts.

A letter to HMRC signed by BPIF (British Printing Industries Federation) CEO Michael Johnson, IPA (Institute of Practitioners in Advertising) Director General Hamish Pringle, and DMA (Direct Marketing Association) Chairman Scott Logie, calls for any service to supply printed mail inserts and direct mail by a given supplier to be treated as a 'single supply', with all elements associated with production and fulfillment eligible for VAT zero-rating. In addition to printing, this would include design, data processing, finishing and distribution.

The joint letter was sent in response to draft legislation published on 9 December to counter what HM Revenue and Customs describes as "VAT avoidance" relating to the supply of services "where arrangements have been made for the supply of printed matter that is ancillary to those services to be made by a different supplier". The VAT Act is to be amended to withdraw zero rating from printed matter where it is "ancillary to a differently rated service, and where, if the service and printed matter had been supplied by a single company, the printed matter would not have been zero rated". The legislation will come into force through the Finance Bill, due for publication on 31 March.

The publication of draft legislation on VAT supply-splitting follows recent visits by VAT inspectors to partly exempt taxpayers who purchase zero-rated printed matter. HMRC have issued rulings to the ad agencies, direct marketing organisations and printers who supply these companies stating that the products supplied are actually wholly or partly-rated (as a supply of advertising, rather than a supply of zero-rated printed matter). They have also issued assessments for under-declared VAT (going back up to four years) plus default interest and penalties. Although the usual

practice, duly accepted in routine VAT inspections to date, has been to deem the supply of advertising leaflets and associated delivery a single supply of zero-rated printed matter, this has recently being challenged by the HMRC's VAT Anti-Avoidance Group on a case by case basis and reinterpreted in a way that standard rate VAT has been assessed for all or part of the supply.

The joint submission seeks to address this through clarification in the Finance Bill. It also offers the support of the three trade bodies in drafting the legislation and in formulating guidance notes to help suppliers and inspectors interpret it fairly and consistently. BPIF Corporate Affairs Director Andrew Brown says "This proposed change in legislation provides us with an opportunity to tackle confusion that has followed in the wake of a shift in interpretations by HMRC. The basis for this has not been made clear to us and is not explicit in law. It has resulted in a disparity in tax treatment for supplying companies and it is vital therefore that this confusion is cleared up. We need to ensure that all companies supplying printed marketing materials are treated consistently and fairly and benefit from the full VAT exemptions to which they are legally entitled. In particular, we need to stem the threat of any unfair and financially crippling back assessments"

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Notes to Editors:

The British Printing Industries Federation (BPIF)

The BPIF is the principal business support organisation representing the UK print, printed packaging and graphic communication industry. It is one of the country's leading trade associations. The federation strive to ensure their members' requirements come first. Through listening to their needs they have developed an unrivalled range of products and services that go well beyond those provided by a traditional trade association.

They provide the highest standard of support for printers to grow and develop healthy, sustainable and profitable businesses, aiming to provide an environment geared towards their businesses success. The BPIF offer practical, value-adding solutions for all areas of a print organisation, ranging from Health, Safety, Environmental and Quality issues; with the implementation of HR requirements; provide resolutions of technical or legal issues; as well as advice and support on

marketing, sales and finance. This is all delivered by individuals and teams of highly skilled and experienced print industry specialists.

New services recently launched include BPIF Insurance Service and the BPIF Financial Alliance to add to a wide range of business support services including healthcare and pensions. They also offer a wide range of opportunities for networking both regionally and nationally, including prestigious events, special interest groups and popular short courses on a wide range of topics.

For more information on the BPIF, visit: www.britishprint.com.