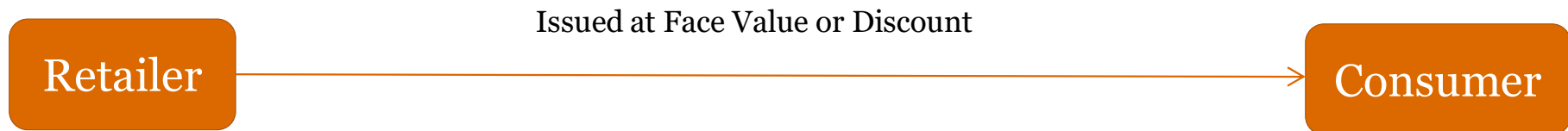


Retailer/Issuer

Model 1 - Retailer issues MPV directly to consumer.

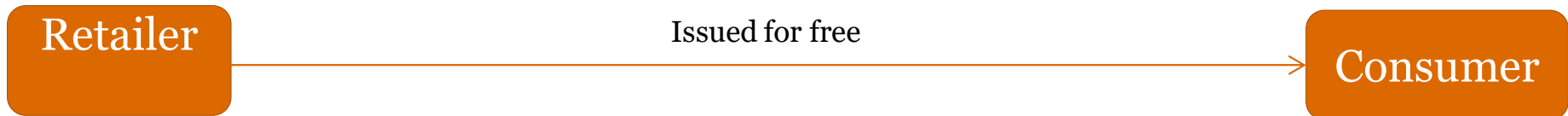


Points to consider:

- Does the issue of a MPV impact a retailer's ability to recover input VAT ?
- A MPV is a form of tender which will be accepted by the retailer when making future taxable supplies. As such, it would appear reasonable to disregard the issue of the MPV for input VAT recovery purposes.
- What evidence must be retained to prove that a MPV has been sold at a discount?
- How will retailers bring VAT account where MPVs are sold at a discount? In the majority of cases it is not possible to track individual MPVs and thus, it is not possible to identify whether one was sold at a discount at the point of redemption.

Retailer/Issuer

Model 2 – Retailer issues MPV for free to consumer



Points to consider:

- In addition to points raised in Model 1
- If a retailer issues a MPV for free does this impact its ability to recover input VAT on its associated costs?
- A free MPV is still a form of tender which will be accepted by the retailer when making future taxable supplies. As such, it would appear reasonable to disregard the issue of the MPV for input VAT recovery purposes.

Retailer/Issuer

Model 3 - Retailer issues MPV directly to consumer.



Model 3a - Retailer issues MPV to intermediary.



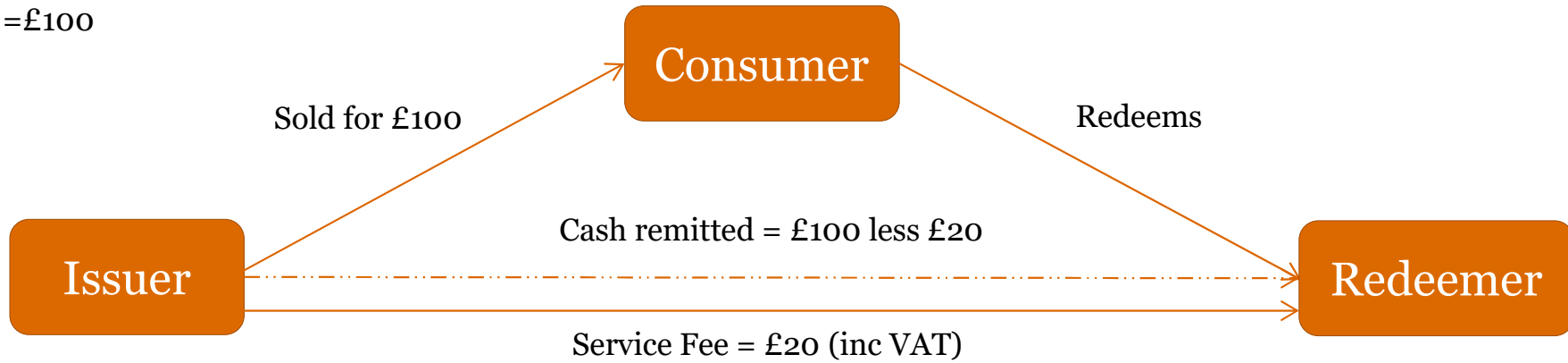
Points to consider:

- In addition to the points raised under Model 1:
- What is the VAT treatment of MPVs issued at above face value?
- Is VAT due on the amount that exceeds face value?
- If yes, who is required to account for the VAT on the amount which exceeds face value:
 - The retailer at the point of redemption - if yes, how will they identify the price paid by the consumer? or
 - Each intermediary in the supply chain that charges an amount in excess of face value?
 - What VAT rate is applicable to the excess amount charged in excess of face value?

Retailer/Issuer

Model 4 – Issuer of MPV is not the redeemer

FV = £100



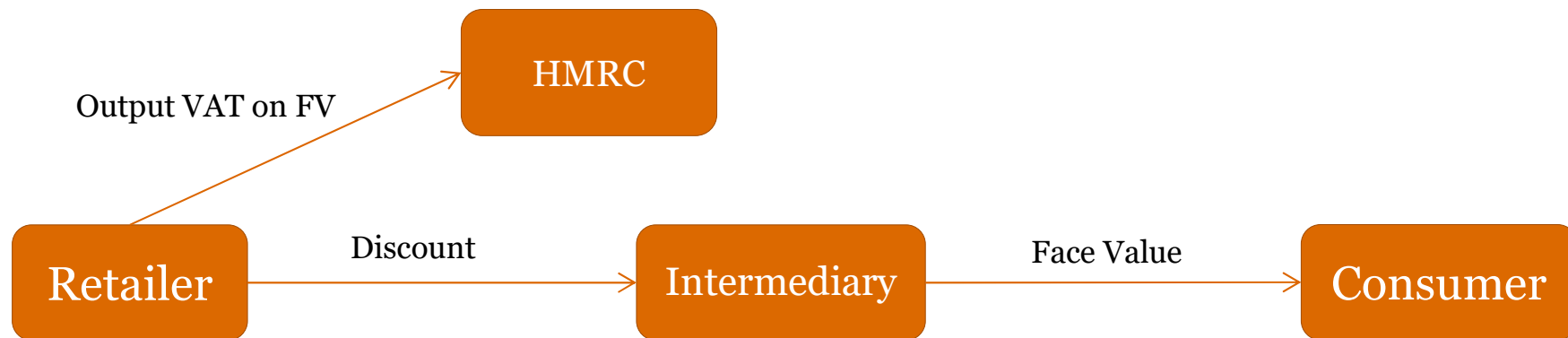
Points to consider

- An issuer levies a taxable service charge to each redeemer of an MPV. The issuer therefore makes a taxable supply in respect of each MPV redemption.
- An issuer generates no profit from the issue of MPVs.
- An issuer generates profit from the service charge.
- Does the issue of a MPV impact the issuer's entitlement to recover input VAT?

Intermediary

Buy/Sell

Model 5 – Intermediary buy/sell only

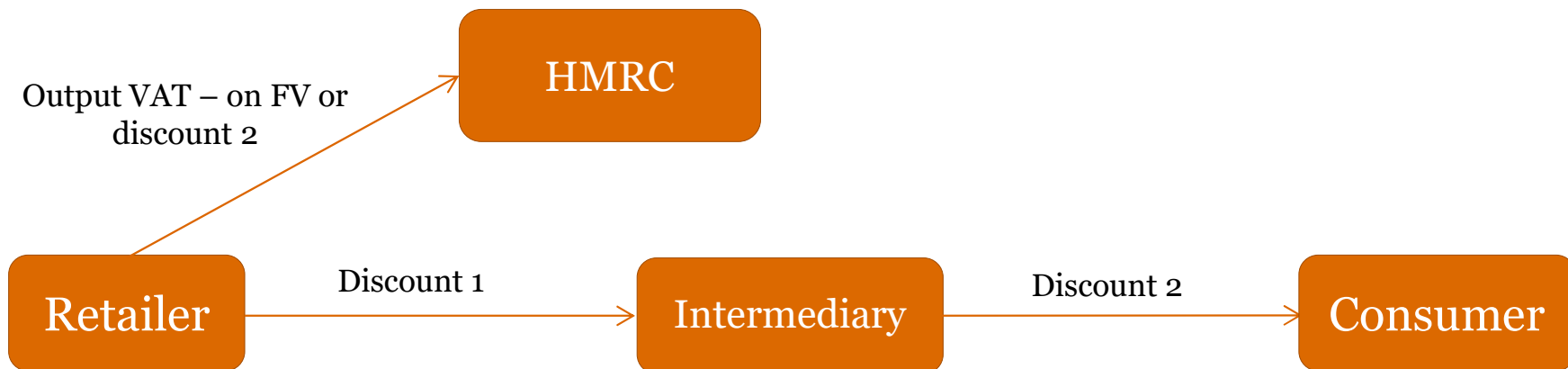


Points to consider

- If intermediary only buys and sells MPVs do they have any entitlement to any input VAT recovery? What if that intermediary also has other taxable income, such as marketing services?
- Retailer accounts for VAT on FV, i.e. more than the money it receives.
- Intermediary has no output liability however, potential input VAT restriction presents an additional cost in the supply chain.
- HMRC receive windfall and supply chain more costly under new rules.

Intermediary / Issuer Buy/Sell

Model 6 – Intermediary buy/sell



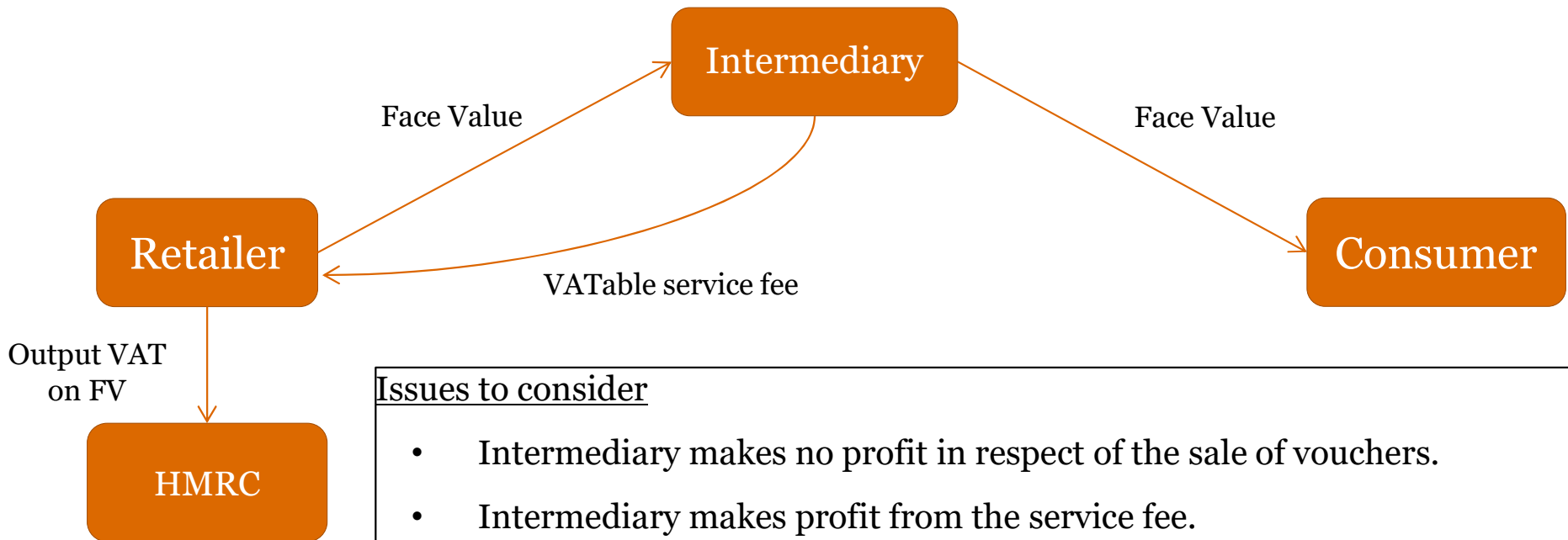
Issues to consider

- Same points as in Model 5
- What steps must the retailer take in order to verify the amount paid by the consumer?
- What evidence must be retained to prove the amount paid by the consumer?

Intermediary/Issuer

Buy/Sell

Model 7 – Intermediary buy/sell and distribution fee



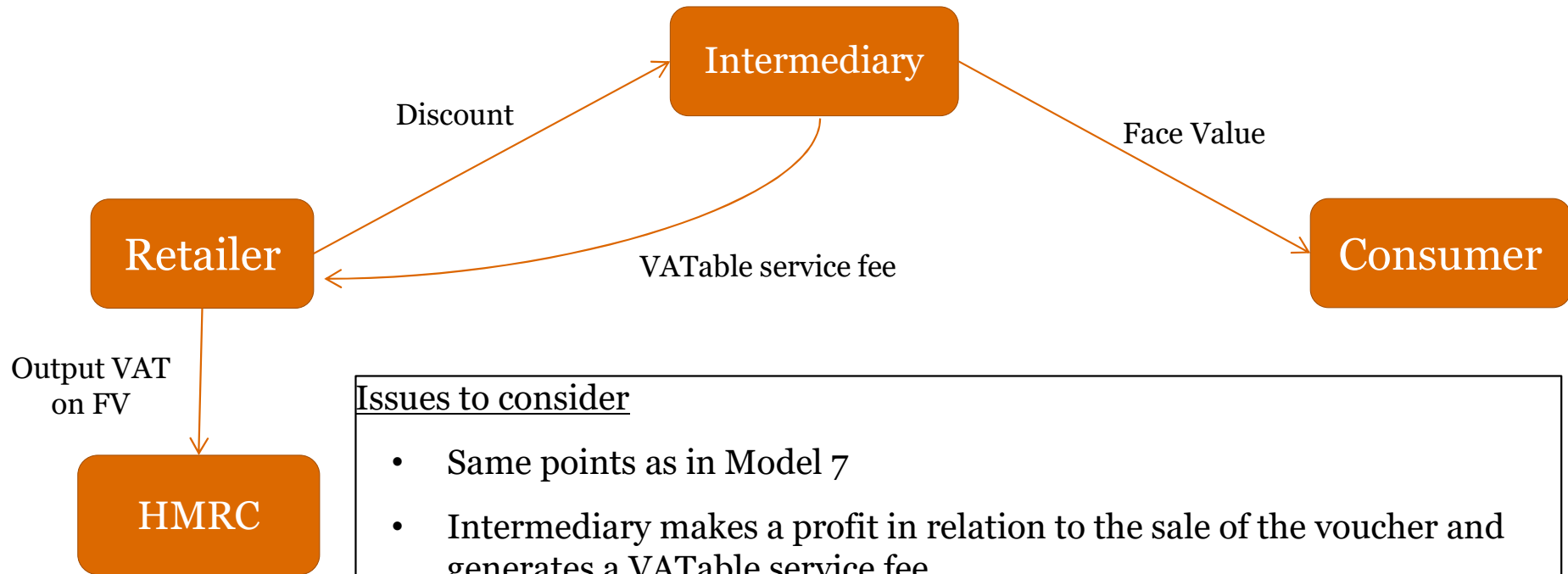
Issues to consider

- Intermediary makes no profit in respect of the sale of vouchers.
- Intermediary makes profit from the service fee.
- Taxable service fee generated for every sale of a voucher.
- Does the intermediary suffer a input VAT restriction on its activities?
- No additional cost generated in the supply chain if input VAT recovery permitted for intermediary.

Intermediary / Issuer

Buy/Sell

Model 8 – Intermediary buy/sell and distribution fee



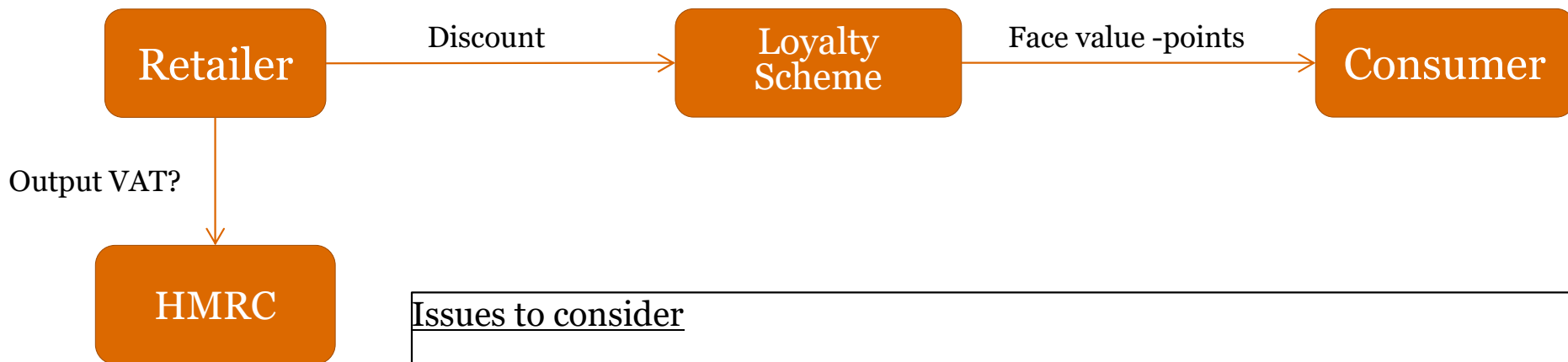
Issues to consider

- Same points as in Model 7
- Intermediary makes a profit in relation to the sale of the voucher and generates a VATable service fee.
- Does this impact the VAT analysis of Model 7 – does the intermediary suffer an input VAT restriction?

Intermediary / Issuer

Buy/Sell

Model 9 – Consumer purchase with points



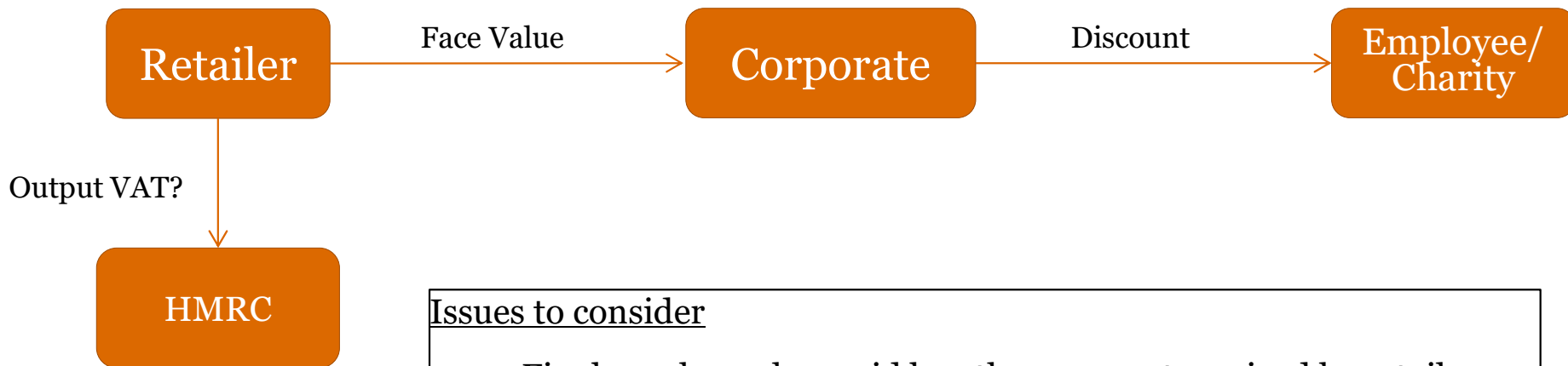
Issues to consider

- Consumer obtains reward points free of charge.
- Consumer purchases MPV using points value equivalent to the FV of the MPV.
- What is the value of the final purchase? Is the retailer required to account for output VAT on FV or the discounted sales price?

Intermediary / Issuer

Buy/Sell

Model 10 – Sold at discount

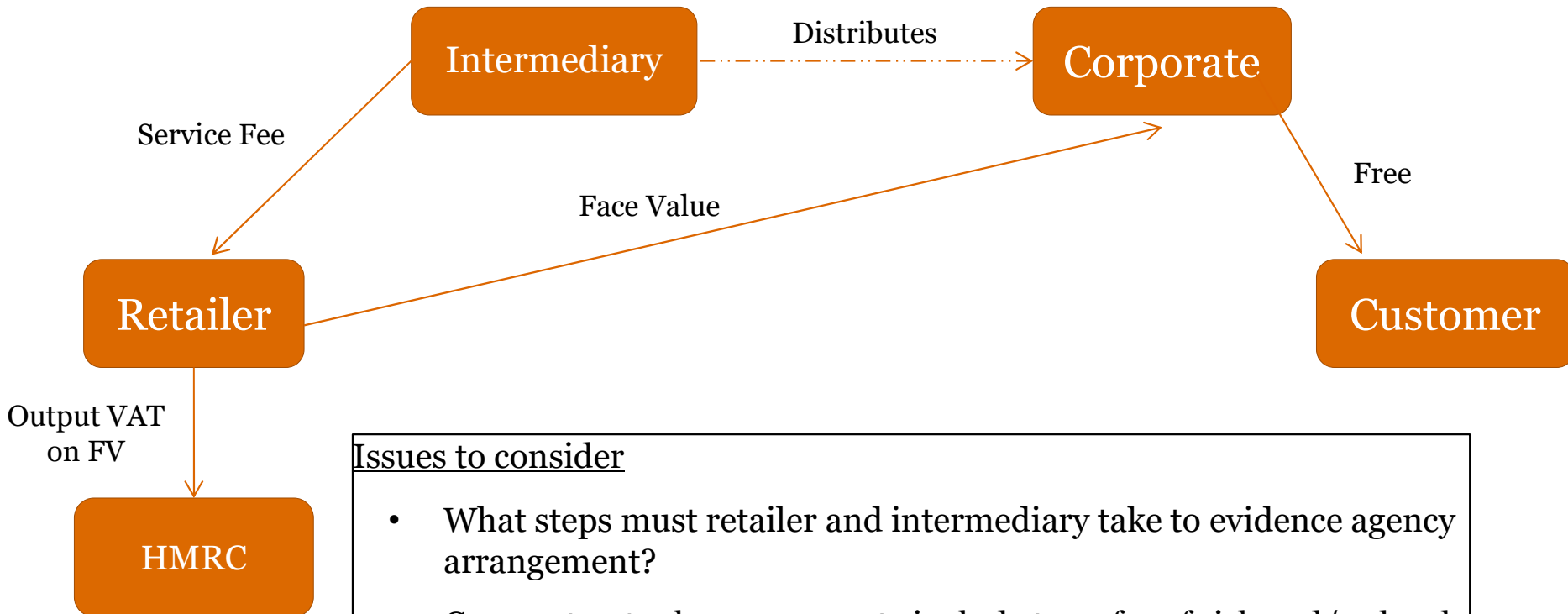


Issues to consider

- Final purchaser has paid less than amount received by retailer.
- Upon what value should the retailer account for output VAT?

Intermediary / Issuer Agency

Model 11 – Disclosed Agency



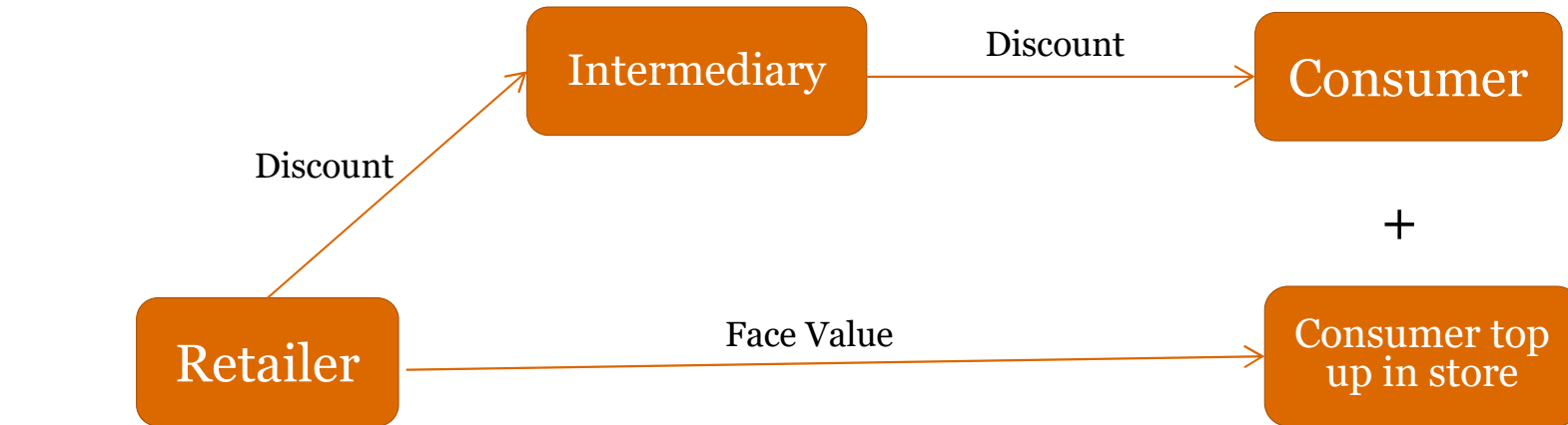
Issues to consider

- What steps must retailer and intermediary take to evidence agency arrangement?
- Can contractual arrangements include transfer of risk and/or legal title in the MPVs to the intermediary?
- What information should sales documentation and customer marketing/terms & conditions include?

Retailer

Agency

Model 12 – Top Up Cards/MPV



Output VAT?

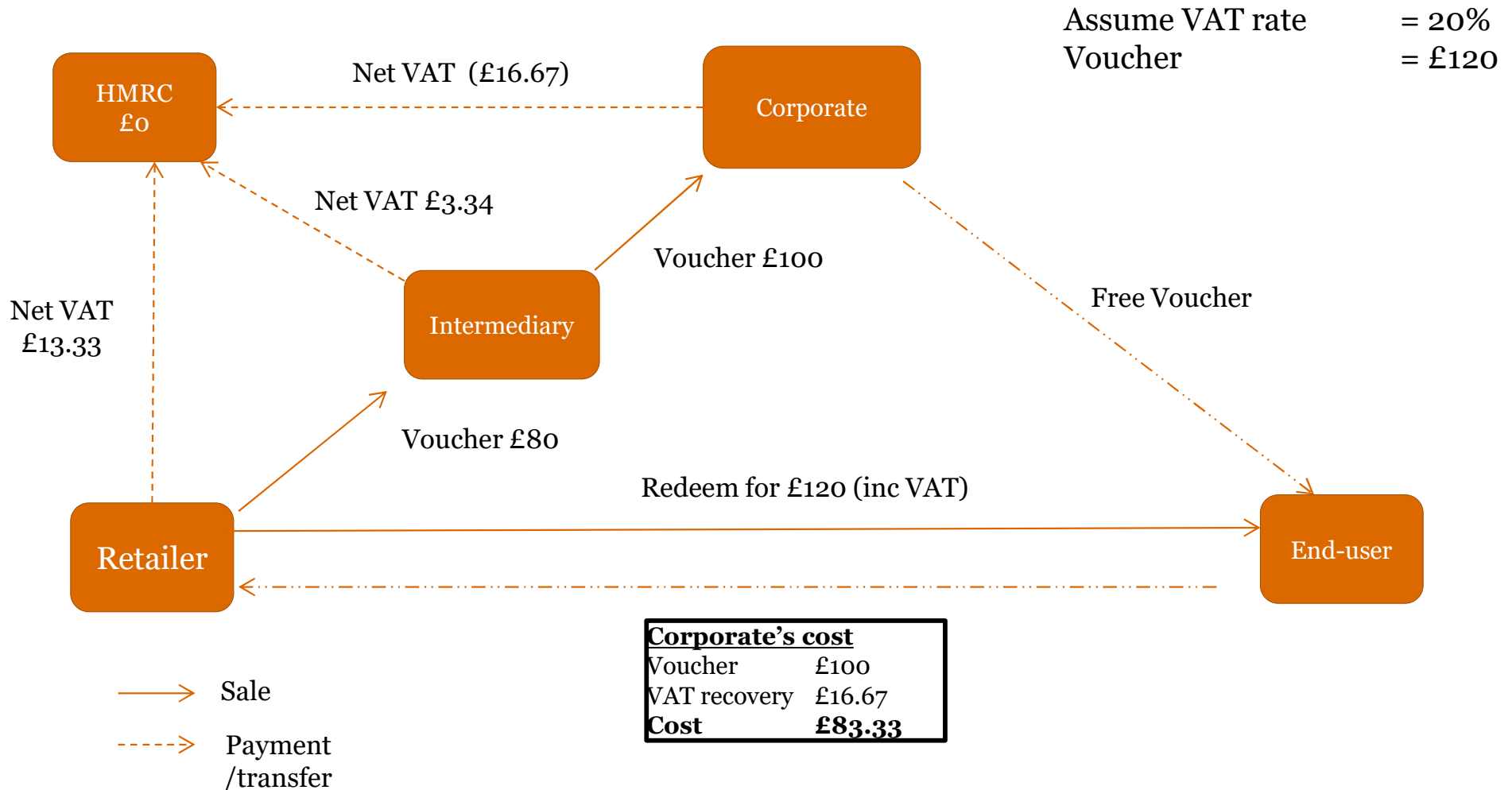


Issues to consider

- Consumer holds a gift card partly purchased at face value
- Retailer cannot track which elements were purchased at face value or at a discount
- How should a retailer bring VAT to account when customer redeems the card 1) in part or 2) in full?

MPV – pre 1 January 2019

Corporate Acquire from Intermediary



MPV – post 1 January 2019

Corporate Acquire from Intermediary

