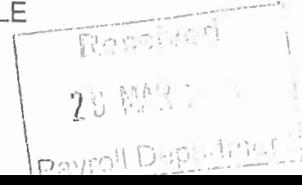




HM Revenue
& Customs

Wealthy/Mid-sized Business Compliance
HM Revenue and Customs
S0927
NEWCASTLE
NE98 1ZZ



Phone [REDACTED]

Fax [REDACTED]

Email [REDACTED]

Web [REDACTED]

Date 27 March 2019

Our Ref [REDACTED]

VAT number [REDACTED]

Dear Sir or Madam

In an increasingly digital age, digital advertising via social media is being used more frequently as a preferred method of reaching a target audience. VAT accounting rules relating to advertising differ depending on the method used. It has become clear that VAT may be incorrectly declared on VAT returns regarding advertising electronically.

To help you correctly account for VAT I have detailed below some of the common errors that HMRC has found.

Advertising

Most advertising services supplied in the UK are subject to the standard rate of VAT.

Charity VAT relief

Some advertising services, when supplied to a charity, may be zero rated for VAT. To meet the conditions for this relief, the advertising, which may be supplied through either physical or electronic media, must be communicated to the **public**.

Public means "the general public", which can be widely interpreted to also include businesses and small groups, such as:

- readers of a trade magazine
- readers of a religious magazine
- people in particular parts of the country who may be targeted by a general poster campaign in their area

When is advertising not to the general public?

For the purposes of the advertising relief for charities, the general public does not include selected individuals or groups. These are people who are:

- selected by individual home, business or email address whether named or not

Information is available in large print, audio and Braille formats.
Text Relay service prefix number – 18001



- individually named people, all those at the same address such as family groups or everyone in a particular building

What about advertising on social media?

Advertising on social media is often targeted at selected individuals or groups. Providers use techniques such as advance tracking options and reliable conversion tracking to reach a select target audience to receive the advertisement.

Where advertising is targeted in this way it does not meet the conditions for the charity advertising relief as it is not being communicated to the general public. The supply of advertising services will be subject to VAT at the standard rate.

Who accounts for the VAT?

When advertising services are supplied in the UK by a UK supplier, it is the supplier that charges output tax and accounts for this on their VAT return.

When advertising services are supplied in the UK by a non-UK supplier, the supplies are invoiced without VAT but the recipient of the supply must account for the VAT under the reverse charge mechanism.

This means as the recipient, you simply credit your VAT account with an amount of output tax, calculated on the full value of the supply you've received, and at the same time debit your VAT account with the input tax to which you are entitled, in accordance with the normal rules.

What do I need to do now?

If your organisation currently receives, or has received in the last four years, supplies of electronic advertising through social media you need to check that you have correctly accounted for any VAT due under the reverse charge mechanism.

If you have not correctly accounted for VAT you should follow the usual processes for correcting VAT errors.

More **information** about how to correct VAT errors and make adjustments or claims can be found in VAT public notice *700/45 How to correct VAT errors and make adjustments or claims*.

<https://www.gov.uk/government/publications/vat-notice-70045-how-to-correct-vat-errors-and-make-adjustments-or-claims/vat-notice-70045-how-to-correct-vat-errors-and-make-adjustments-or-claims>

Error Correction Notifications should be sent to the address at the top of this letter within 30 days.

Where can I get further information?

More information regarding the charity VAT relief for advertising can be found in VAT public notice *701/58 Goods or Services Supplied to Charities*:

<https://www.gov.uk/guidance/vat-when-you-supply-services-or-goods-to-charities-notice-70158>

More information about accounting for the reverse charge can be found in VAT public notice *741a Place of Supply of Services*

<https://www.gov.uk/guidance/vat-place-of-supply-of-services-notice-741a>

after consulting the relevant guidance you are content that you are correctly accounting for VAT, I would be grateful if you would confirm as such using the contact details above within 30 days.

If you need further guidance on accounting for VAT on advertising services received, you may contact HMRC using the following mail box:
complianceteam.pbqcrosssector@hmrc.gsi.gov.uk

Yours faithfully



Mrs Amanda Symons
Higher Officer

Join the millions of taxpayers already using their Personal Tax Account to access a range of HMRC services. It takes just a few minutes to get started, go to www.gov.uk/personal-tax-account

To find out what you can expect from us and what we expect from you go to www.gov.uk/hmrc/your-charter and have a look at 'Your Charter'.