

## CHAPTER 3

### DEFINITION OF SUPPLIES

#### 3.1 Introduction

A supply for VAT purposes generally arises where consideration is given in **return** for goods or services.

[VATA 1994, s.5\(2\)](#)

**Consideration** is any form of payment, be it cash or in kind.

Once consideration is present and directly linked to a supply, we need to determine whether it is a **taxable** supply.

#### 3.2 Five Conditions

There are five basic conditions to determine whether a supply merits a charge to VAT.

[VATA 1994, s.4](#)

- a) The supply must amount to a supply of **goods or services**.
- b) The supply must be made by a **taxable person**.
- c) The supply must have been made in the **United Kingdom**.
- d) The supply must have been made **in the course or furtherance of business**.
- e) It must be a **taxable supply** by definition.

A "taxable person" is any individual (i.e. a sole trader), partnership, company, club or association which is **or is required to be registered** for VAT.

[VATA 1994, s.3](#)

#### 3.3 Taxable Supplies

Once it has been established that there is a supply, we need to determine whether the supply is **taxable, exempt or outside the scope** of VAT.

[VATA 1994, s.4\(2\)](#)

"Taxable" will be at one of three rates of VAT;

- a) the standard rate ( $17\frac{1}{2}\%$ );
- b) the lower rate (5%); and
- c) zero rate (0%).

