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17 October 2014

Dear Mr Parnell,

Thank you for your letter of 30 September in which you have explained HMRC's position. Many in our industry remain convinced that this position is incorrect and an inclusive contract to print marketing packs and also post/distribute them can be liable to zero rate VAT (subject to the mailing pack meeting certain criteria). Because of the potential impact on the organisations involved – mainly charities - we believe that HMRC's view will be challenged and, unfortunately, until such time as there is a definitive ruling the industry will still be uncertain on how to assess the VAT liability of the goods they are supplying.

I must also point out that we did not believe that there was a clear explanation of HMRC's position at our meeting in June 2012 which is why I subsequently wrote requesting clarification. At the meeting we were promised "revised guidance" and subsequent correspondence from HMRC confirms this and states that it was expected "soon". Although we have your responses to our letters we have yet to see the updated guidance David Gauke refers to in his letter of the 22 September in the public domain.

We would also like to make sure that we completely understand HMRC's position and the implications as to how members should account for VAT when printing marketing packs that are intended to be distributed by post.

As we pointed out in our letter of 21 August all bulk mail services now require some degree of sortation in order to qualify for the discounts on offer. This applies to whether you are sending invoices or advertising material. A customer who intends to organise and pay for the postage themselves would expect the printer to deliver their print in the appropriate way so that they can simply pass it on to the postal operator. It would be completely impractical for the customer to try to sort their mailing after it has been printed. We strongly believe that there is a distinction between carrying out the "analysis or organisation of customers' details" for marketing purposes and the data handling necessary to ensure that the print is suitable for posting. In the latter case the data handling is ancillary to the supply of the printed matter. It is no different to a customer requesting their print to be supplied in boxes of 250 items so that it can be easily distributed out to branches, or specifying that the print is a particular size so that it fits leaflet dispensers. It is simply providing customers with the goods they have ordered in a form that is suitable for distribution by them – whether that is by hand, lorry or post. It is unreasonable to view data handling, where the sole purpose is to provide printed matter in a form that the customer can actually use it for the purpose for which it is intended, as a "marketing service".

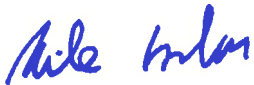
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We would also like confirmation that where a supplier is providing other activities such as data management in addition to the supply of printed matter that this would continue to be viewed as a multiple supply – some of which may be zero-rated and some standard rated – as has been the case historically. We believe that there is ample precedent and case law to support this position.

You stated in your letter to me dated the 30 September that you expect these supplies will be treated ‘correctly’ from 1 October. I trust you will extend the deadline until the guidance is actually published. If this is not done our members, to whom we have published the information received so far, will be left at a commercial disadvantage to non-members who may still be making interpretation on the existing guidance which I think we all agree needs clarification.

I would be interested to hear your views on the points above and we look forward to seeing the updated guidance when it is published.

Yours sincerely



Mike Lordan
Director of External Affairs