



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Mr Mike Lordan
Director of External Affairs
Direct Marketing Association (UK) Ltd
DMA House
70 Margaret Street
London
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22 SEP 2014

Dear Mr Lordan

Thank you for your letter of 21 August about the difficulties that your members have been encountering with the treatment of direct marketing services.

I note that you refer to separate supplies of printed matter and postage. However, HM Revenue & Customs' (HMRC's) position is that where a supplier is required to analyse or organise customers' details, or is responsible for posting and distributing the marketing packs in addition to printing the material itself, this is a single supply of services, and not simply a zero-rated supply of printed matter including delivery services. This is because services such as these are not ancillary to the supply of printed matter as they are essential to the distribution of the printed matter, and so cannot be disregarded. The overall supply is properly regarded as one of marketing or direct mailing services, rather than a supply of printed matter with ancillary supplies. HMRC policy on this can be found in Notice 700/24 Postage and Delivery Charges paragraph 3.4; by typing 'VAT Notice 700/24' in the search box on its website.

These additional services cannot simply follow the zero-rating of printed matter as this would illegally extend the narrow interpretation of the zero rate. Moreover, VAT is an EU-wide tax, the scope of which is set out in EU law under the terms of agreements that successive UK Governments have signed with our European partners. These agreements do not allow the UK (or other EU countries) to extend the scope of our existing zero rates.

Whilst the information in VAT Notice 700/24 was correct, I shall be asking my officials to update this guidance to ensure that there is no further confusion on the part of members and their competitors.

I understand that, for cases where the incorrect treatment has been applied, HMRC will consider each case on its merits, and be sympathetic to specific circumstances where direct marketing services may have been incorrectly zero-rated, but only to the extent that they include printed matter that may be separately zero-rated. HMRC will, however, expect these supplies to be treated correctly going forward.

Thank you for taking the trouble to make us aware of these concerns.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Gauke', with a stylized flourish at the end.

DAVID GAUKE