

Foreword

This notice cancels and replaces Notice 701/48 (March 2002).

1. Introduction

1.1 What is this notice about?

This notice explains how you must account for VAT if you are:

- a supplier accepting purchasing cards; or
- a business buying goods and services by means of purchasing cards

The notice explains:

- the tax point rules for supplies covered by purchasing card arrangements
- the invoicing requirements when using a purchasing card

This notice only covers the VAT requirements of purchasing cards. Banks and card companies issue comprehensive procedural guidance, specific to each particular system, to all suppliers and card users.

Please note, references made in this notice to acceptability for VAT reporting and input tax recovery apply only to purchasing cards which have an associated VAT invoicing capability. Ordinary purchasing, charge and credit cards do not have this capability, and statements/reports from such cards are not acceptable for VAT purposes.

1.2 What's changed?

This notice has been updated to reflect changes in the marketplace since the March 2002 version.

1.3 Force of law?

Regulations 13 and 14 of the VAT Regulations 1995, govern the issuing and content of VAT invoices. Parts of this notice have the force of law under those regulations. Paragraphs which have the force of law are indicated by a statement and by having been placed in a box.

2. Corporate purchasing cards

2.1 What is a corporate purchasing card?

Corporate purchasing cards (or, 'procurement cards') are more like charge cards than credit cards. They allow commercial organisations to pay for their business to business purchases electronically. Use of the cards can significantly reduce the paperwork associated with the traditional process of corporate purchasing. In the UK, the cards are designed to be fully compatible with VAT accounting requirements.

Suppliers which accept purchasing cards in payment are not required to issue VAT invoices to their customers. Instead, the invoicing is carried out by the customer's card company, or bank, on the suppliers' behalf, using transaction information which has been transmitted through the purchasing card system.

Suppliers usually have to be recognised 'merchants' of the card issuer to accept one of that issuer's purchasing cards as a method of payment. But some intermediary service providers (sometimes referred to as third party procurement solutions) now exist. The intermediaries provide a way for suppliers who are **not** merchants to:

- be paid, and
- issue invoices

through a corporate purchasing card system.

For VAT purposes, we usually treat the intermediaries as though they were the bank or the card company.

3. Time of supply (tax point)

3.1 What are the normal time of supply rules?

The time of supply rules establish the time at which a supplier must account for output tax and also govern the time at which the customer is entitled, where appropriate, to recover that tax as input tax.

Under the normal rules it is very often the issue of an invoice which creates the tax point for a supply.

3.2 Why do the normal rules present problems when purchasing cards are used?

Because the card issuing company or bank issues VAT invoices on the supplier's behalf, the supplier has no way of knowing when an invoice is issued to individual customers. Usually, the card issuing company or bank will issue monthly invoice reports to suppliers. The supplier will be unable to work out the tax point for each supply accurately from this monthly report. There may well be a mixture of basic tax points and, where the invoice has been issued up to 14 days after the basic tax point, actual tax points.

If the normal tax point rules were applied to purchasing card supplies, the supplier could be faced with a mixture of tax points, depending on when each invoice was issued in relation to the basic tax point.

We have accepted that it would help if supplies covered by purchasing card arrangements were subject to a single, easily identifiable tax point. We agreed that a tax point linked to the time at which the supplier keys the transaction details into the purchasing card system (the transmission date) would best achieve this.

3.3 The accommodation tax point

A taxable person may apply for a tax point to be advanced to a time earlier than would otherwise be the case. This is commonly known as an accommodation tax point.

When we direct suppliers to use an accommodation tax point, we allow them to treat the date the details of each transaction are transmitted to the card company, bank or intermediary as the tax point. But this is conditional on the details of all transactions being keyed into the system no later than the basic tax point date. If any transactions are keyed in later than this, the supplier would be accounting for tax late and may become liable to a penalty..

In order to safeguard the interests of all involved, the card issuers want to ensure that all suppliers adopt the accommodation tax point facility. To do this they make it a condition of membership that potential suppliers apply to us for an accommodation tax point. A direction to use an accommodation tax point applies to **all** such supplies, regardless of the card company or bank involved. So a supplier who already holds a direction because of his participation with another card issuer doesn't need to apply again. He just needs to be able to show his original direction.

In the case of new directions, we will accept applications made on a standard form included as part of the supplier's application to join the purchasing card scheme. The card company or bank will forward the application to us on behalf of the supplier. On receipt, we will issue a direction to the supplier and, if the supplier agrees, send a copy to the card company or bank.

4. Invoice requirements

4.1 Purchasing card invoicing process

Where a purchase is made using a purchasing card, the supplier will normally transmit the invoice information, without issuing an actual invoice, to the appropriate card company or bank.

At agreed intervals, the purchaser will receive a VAT invoice report and other reports from the card company or their bank.

This arrangement does not affect the supplier's responsibility for accounting for output tax on sales, or the purchaser's responsibility for demonstrating entitlement to deduct input tax.

Some purchasing cards offer two levels of invoice detail:

- line item detail (LID) invoices which provide detailed, itemised information on a line by line basis (sometimes referred to as a level 3 invoice); and
- simplified VAT invoices which provide less detailed information at a summary level only (sometimes referred to as a level 2 invoice)

The level of detail received by the cardholder is dependant upon the capability of each supplier's accounting system.

4.2 What is a line item detail VAT invoice

The text below has the force of law

As the invoice report is issued by the card company or bank to the purchaser, the supplier will not know when it is actually issued. But as the date is normally only relevant for tax point purposes (which have been specially provided for, see paragraph 2.3), we have agreed to waive the requirement to show the date of issue contained in regulation 14(1)(c) of the Value Added Tax Regulations 1995.

The invoice report issued to the purchaser must, however, show the transmission date for each transaction, so the purchaser will know the date from which input tax can be claimed. The invoice report is, therefore, acceptable as evidence for input tax recovery, subject to the normal rules governing entitlement.

In order to fulfil the requirements of regulation 31(1)(c) of the Value Added Tax Regulations 1995, suppliers must retain the invoice data transmitted and any invoices from their normal systems which they have produced but not issued.

4.3 What is a summary VAT invoice

The text below has the force of law

Some suppliers do not have accounting systems capable of transmitting LID invoices but are able to provide summary VAT information. As a general rule, we will accept summary VAT invoice reports in support of input tax claims.

The summary VAT invoice reports must contain the following information:

- value of the supply;
- VAT amount charged;
- VAT rate;
- time of supply;
- description of the goods;
- supplier's name, address and VAT number; and
- customer's name and address

If you are capable of transmitting only summary VAT data you must, for purchasing card transactions, continue to generate VAT invoices at the same time for output tax accounting purposes. However, you may discharge your obligation to issue an invoice where single transactions have a value of not more than £5,000 by transmitting the summary VAT information to your bank or card company.

Where the value of a single transaction exceeds £5,000 you must issue a VAT invoice. A single transaction is the total value of purchases made using a card at any one time, for example from one 'swipe' of the card. You must also issue a copy of your normal VAT invoice, for any transaction where the value does not exceed £5,000, if you are specifically requested to do so by your customer. In such a case the invoice must be clearly endorsed with the words "Paid by Purchasing Card - Supplementary VAT invoice".

Your rights and obligations

[Your Charter](#) explains what you can expect from us and what we expect from you.

Do you have any comments or suggestions?

If you have any comments or suggestions to make about this notice, please write to:

HM Revenue & Customs
VAT Registration, Accounting and Policy Team
1st Floor, Regian House
James Street
Liverpool
L75 1AD

Notice 701/48 Corporate purchasing cards
April 2014

Please note this address is not for general enquiries.

For your general enquiries please phone our Helpline on telephone: **0300 200 3700**.

Putting things right

If you are unhappy with our service, please contact the person or office you have been dealing with. They will try to put things right. If you are still unhappy, they will tell you how to complain.

If you want to know more about making a complaint go to www.hmrc.gov.uk and under quick links, select Complaints and appeals.

How we use your information

HM Revenue & Customs is a Data Controller under the Data Protection Act 1998. We hold information for the purposes specified in our notification to the Information Commissioner, including the assessment and collection of tax and duties, the payment of benefits and the prevention and detection of crime, and may use this information for any of them.

We may get information about you from others, or we may give information to them. If we do, it will only be as the law permits to:

- check the accuracy of information
- prevent or detect crime
- protect public funds

We may check information we receive about you with what is already in our records. This can include information provided by you, as well as by others, such as other government departments or agencies and overseas tax and customs authorities. We will not give information to anyone outside HM Revenue & Customs unless the law permits us to do so. For more information go to www.hmrc.gov.uk and look for Data Protection Act within the Search facility.