



Zero Rated

A guide to VAT and your Direct Marketing

I.0 Overview

I.1. Zero Rated

The purpose of this document is to give a broad overview of the nature and the circumstances of when you can zero-rate books. This document follows the publically available HMRC Notice 701/10 'Zero-rating of books etc' and also the HMRC Notice 701/58 'Charity advertising and goods connected with collecting donations'.

The printing/fulfillment industry uses two VAT rates: Standard Rate and Zero Rate.

Where goods and services are subject to VAT then it is added at the standard rate. Where goods are not subject to VAT then a zero rate is applied.

There are three primary routes through which a customer's direct marketing communication may be fully or partially zero-rated via single sourcing:

- 1 Single Sourcing on all preparatory and distribution services
- 2 Package Test Relief
- 3 Extra Statutory Concession (ESC) for Charities

For more information please refer to the relevant publically available notice or speak to your tax advisor.

2.0 Specification

2.1 Single Sourcing

All services whether ancillary, integral or incidental to the end product (e.g. list buying, creative, print management etc) can only be zero-rated if there is a single source of supply to the client.

The customer could ask for its suppliers to route their invoices through a single supplier, and thus the VAT would become zero rated on all the services contributing to the end product, provided it met the Package Test and the ESC for Charities. Please refer to the relevant HMRC Notice document for more information.

TNT Post have partnered with a range of print and fulfilment partners who can act as a single supplier on your behalf. The selected partners have in-depth knowledge and expertise that will ensure that your mail pack complies with the zero-rated criteria.

Please contact your TNT Post Account manager for more details on the recommended partners.

What are the VAT consequences of using multiple suppliers?

If you use multiple suppliers each element will take its own VAT liability. Likewise if each individual element of the mailing is not routed through to a single supplier for invoicing purposes, then each element may be subjected to the standard rate of VAT.

In this instance TNT Post can act as your Agent and secure Royal Mail services on your behalf, lessening the VAT burden on the postage and distribution element.

This means you will only pay VAT on the 'upstream' element of your postage (collection and sorting by TNT Post) with no VAT on the downstream element (final mile delivery by Royal Mail). All other preparatory services related to your mail pack will be subject to the full VAT rate.

TNT Post can act as your Agent for the Premier, PremierSort, PremierSort Flex and AllSort services. Please see the relevant customer guide for the product specification and criteria.

2.2 Zero-rating of books

In addition to the conditions and specification set out in the Premier, PremierSort, PremierSort Flex and AllSort customer guides the following additional requirements apply to gain a zero-rating for your mail pack or printed items.

2.2.1 Package Test

A package is a collection of items printed on paper or card usually enclosed in some sort of wrapper. The articles must physically form a package and have a common link in that they are intended to be used together. Examples are:

- Packages contained in an outer polythene or paper envelope; for example, a package sent to a shareholder which includes company reports, circulars, a proxy voting form and a reply-paid envelope.
- Cardboard folders with pockets into which are inserted a variety of forms, leaflets, etc.
- Advertising packages often from financial institutions.

The Package Test operates as follows:

- The package test can only be applied if the mail pack contains printed matter only. The package test cannot be a possible route to a zero-rating if the pack contains anything which is not printed on paper or card. Table 1 shows the VAT liability for some common print items. A more extensive list is given in Section 8 of VAT Notice 710/10.
- When producing a mail pack you will need to identify which items are zero-rated and which are standard rated. If a pack contains more zero-rated than standard-rated items, then a pack as a whole can be zero rated and vice versa.
- If there are equal numbers of zero-rated and standard-rated items, the liability of the pack as a whole is decided by the cost of the elements. If the zero-rated items cost more, then the pack as a whole can be zero-rated and vice versa.
- The outer envelope is not taken into consideration when using the package test, but a reply-paid envelope counts as a standard-rated item.
- The surface area of the leaflet, brochure or flyer given over to a reply device is less than 25% of the total area. If it exceeds 25%, the item will not be zero-rated.

2.2.2 Extra Statutory Concession – Charity Organisations

This concession allows the following printed items to be zero-rated when supplied to a Charity organisation:

- Collecting envelopes.
- Pre-printed appeal letters – can be single or multiple sheets with the primary purpose of the letter being a request for donations. It must be a letter, not just a form to fill in and return with a donation. It can be personalised or unaddressed.
- Outer envelopes.
- Reply envelopes – both outer and reply envelopes must either be over-printed with an appeal request related to that contained in the letter or be clearly distinguishable to from the charity's usual stationery.

For more information regarding Extra Statutory Concessions please refer to the HMRC Notice 48 (Extra-Statutory Concessions), 701/58 (Charity advertising and goods connected with collecting donations) and 701/1 (Charities) or speak to your tax advisor.

Table I: VAT liability for printed items

Zero-rated	Standard-rated
Non-personalised letter*	Stickers
Leaflets	Photographs
Flyers	Greetings Cards
Brochures	Certificates
Catalogues	Separate reply device
Newsletters	Bookmarks
Personalised letter**	Questionnaires
Reply envelopes**	Book covers
	Vouchers
	Bingo/competition cards
	Invitations, postcards
	Lottery or raffle tickets
	Printed pictures
	Pens
	Videos
	Audio cassettes

* *Treated as a leaflet*

** *Only zero-rated for charities (under the Extra Statutory Concessions and the Package Test for charities)*

The above information is only a broad overview of the specification to zero-rate your mailing packs. More information can be found on the HMRC website under the VAT Notice 701/10 (Zero-Rating of Books etc), Notice 701/58 (Charity advertising and goods connected with collecting donations), 48 (Extra-Statutory Concessions) and 701/1 (Charities) or speak to your tax advisor.

2.3. Minimum volumes

Please refer to the Premier, PremierSort, PremierSort Flex or AllSort product guide for minimum volumes.

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TNT Post UK Ltd
1 Globeside Business Park
Fieldhouse Lane
Marlow
Buckinghamshire
SL7 1HY

T 01628 816 768
F 01628 816 881
E customerservices@tntpost.co.uk
www.tntpost.co.uk

