

VAT and printing

This is a rough guide to VAT and printing:

1. Zero rated material: in the UK the government has sought to protect reading materials from bearing VAT (probably at the behest of the newspaper moguls). This means that books, magazines and newspapers are all zero rated. By extension, booklets, newsletters and leaflets are also zero rated.

2. VATable items: these include all items of stationery (letterheads, business cards, compliment slips, invoices etc), forms, any leaflet which has space designed for 25% or more manuscript addition (e.g. a form to fill in and return), posters, and items printed on card.

3. Hybrid items:

a. Artwork and typesetting - if this is provided as a stand alone service then VAT has to be charged. If it is part of a job which in itself does not carry VAT, e.g. the design and typesetting of a book, then it is included in the overall cost and does therefore not carry VAT.

b. Finishing - a finishing operation carries VAT if the completed item carries VAT, for example scoring a card invitation. However, if the item then becomes part of a zero rated item, e.g. a card cover of a booklet being scored, then VAT is not charged. However, there are operations which make a zero rated item standard rated, for example encapsulating which therefore always attracts VAT both to the process of encapsulation and to the item being encapsulated. On the other hand, laminating a book cover does not make it standard rated.

4. Exempt customers: some charities have certificates which exempt them from paying VAT. However, being a charity does not confer automatic exemption from paying VAT. Where a charity is engaged in putting on a fund raising event then it may be exempt from paying VAT on items which would otherwise be standard rated. There is a 38pp document on the HM Revenue & Customs website outlining the law on VAT and charities.

If you have a sum of money that you know includes VAT but you do not have the VAT amount specified then multiplication by 0.13 will give you an approximate VAT figure.

The principle of VAT is that it is a tax on Added Value. A manufacturer (in the broadest sense of the term) buys raw materials for $X\text{£} + 15\% \text{ VAT}$; the raw materials are converted into a product which the manufacturer sells to a wholesaler for $X + Y\text{£} + 15\% \text{ VAT}$ (where Y is the manufacturer's cost of production and profit); the wholesaler sells to a retailer for $X + Y + N\text{£} + 15\% \text{ VAT}$ (where N is the wholesaler's costs of selling + profit); the retailer sells the product to the end user for $X + Y + N + W\text{£} + \text{VAT at } 15\%$ (where W is the retailer's costs of selling + profit). At each stage the difference in the cost of purchase and the cost of the sale is passed back to the government so if, for example, a wholesaler buys £100,000 worth of goods from the manufacturer he

will pay £15,000 on top of that; if he then sells those goods for £200,000 he charges £30,000 VAT on top of that, deducts the cost VAT from the sale VAT and sends the government £15,000.

Please note: nothing in this article should be construed as constituting a definitive statement on VAT law.

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