

Accounting for VAT on the Purchase and Sale of Gold

From time to time, gold is purchased by the University for research purposes and occasionally a disposal takes place. For VAT purposes, such transactions usually fall within the special accounting scheme for gold and in order to identify them, specific IE Codes must be used:-

IE Code 1816 Sales of Gold
IE Code 4091 Purchases of Gold.

The 'Special Accounting Scheme for Gold' is **compulsory** and transfers the responsibility for paying the VAT due from the seller to the buyer where both are registered for VAT and the transaction is for a business purpose for both parties.

The scheme applies to supplies of fine gold (gold with a high purity level e.g. 0.995), gold grain of any purity and gold coins and to the services of treating or processing goods to make fine gold, gold grain or gold coins. Also included are goods containing gold where the amount payable does not exceed, other than negligibly, the "open market value" of the gold contained in the goods. Supplies of scrap and sweepings are included but the scheme does not apply to part manufactured or finished jewellery, gold compounds and semi manufactured carrated products, except gold grain. Supplies of dental gold, gold targets and gold slugs are also excluded.

N.B. The open market value is the "fix price" of the gold at the time of supply. This is the price set in the twice-daily meetings by The London Gold Market Fixing Ltd.

Purchases - The University must account for VAT due at the standard rate when it purchases gold under the special accounting scheme i.e. it must pay the VAT directly to HMRC on its quarterly VAT Return. If VAT is paid over to a supplier in error, the University will still have to pay VAT on the value of the supply direct to HMRC. In order to safeguard the University's position when buying goods containing gold, checks should be made before paying any VAT amount over to a supplier. This is because HMRC may require proof that the purchase did not fall within the provisions of the special scheme and if the University is unable to provide this, it will be expected to pay the VAT directly to HMRC.

Sales - Where the University is the seller and the buyer is another UK VAT registered trader, a sales invoice should be issued which shows:

- The invoice number
- The time of supply (or tax point) – usually the delivery date or the date the gold is made available for removal by the purchaser
- A description of the goods which includes the weight of the gold, the purity of the gold, the number of individual items (where possible) and the fix price of the gold on the day of delivery
- The buyer's VAT registration number in addition to their name and address
- A statement to the effect that VAT at the standard rate shown on the invoice is payable to HMRC by the purchaser e.g. "£..... output tax on this supply of gold to be accounted for to HM Revenue & Customs by the buyer"

Details of such sales invoices should be sent to Tony Fitzgerald in the VAT Section (e-mail anthony.fitzgerald@manchester.ac.uk) for audit purposes. If the buyer is not UK VAT registered, please contact the VAT Section (details below) for advice.

If you are unsure whether a purchase or sale is subject to the special accounting scheme for gold, it is better to post the transaction to one of the specific IE Codes above so that it can be picked up by the VAT Section and the correct VAT treatment applied.

If you wish to discuss this guidance or any other VAT related matter, then please contact the VAT Section - James Gillen, Senior VAT Assistant, tel. 0161 275 2165 or e-mail james.gillen@manchester.ac.uk