

Payment handling fee is not a separate supply*T-Mobile*

A mobile telephone company charged its customers £3 in respect of all payment methods other than by direct debit or BACS. The company claimed that this additional fee was an exempt financial supply. Customs rejected the company's claim for overpayment of output VAT for over £4m. The Tribunal dismissed the company's appeal and decided that the company was making a single supply of telecoms services. From the customer's point of view, he was purchasing a supply of telecoms services and the handling fee was simply part of the price he paid for the telecoms services. Therefore the VAT was due on the full amount paid, including the payment handling fee. The Tribunal stated even if it were wrong in holding that there was a single supply, then the handling charge was an ancillary supply which was to take on its VAT treatment of the principal telecoms services and therefore it was standard rated.