

**Vouchers**  
***Leisure Pass Group V20910***

Leisure Pass Group (LPG) sells the 'London Pass' which is a pass enabling holders to get entry to a number of attractions in London without further payment. LPG charges its customers for the pass and then pays the owners of the relevant attractions at an agreed rate if a pass holder uses the pass to gain entry. Some of the attractions are exempt cultural bodies.

HMRC argued the pass was not a voucher and that VAT should be accounted for on the sale of the pass. LPG argued that the pass was a face value credit voucher with the result that no VAT should be charged on the issue. Instead VAT should be accounted for on the redemption of the pass by the attractions (to the extent that the attraction is VATable). The case turned on whether the pass represented a right to receive goods or services to the value of an amount stated on it or recorded in it in accordance with para 1 of Schedule 10A of the VAT Act 1994.

This argument was first run unsuccessfully in Tribunal in 2007 (appealed unsuccessfully to High Court 2008) with a version of the pass which had no stated value of monetary limit. LPG had argued that it had recorded in it the value of all the attractions put together as this was the maximum value available to the holder. This argument was dismissed on the basis that this was a meaningless value and that there was in effect no monetary limit to the pass, as the only limit was a temporal one, namely the duration of the validity of the pass (anything from one to six days depending on the price paid).

The terms of the pass were then amended so that it had a monetary limit of £70 per day. A chip in the pass calculates the value of the holder's daily entries and blocks entry once this limit is reached. The new Tribunal agreed that following this change, the pass fell within the definition of a face value voucher.

HMRC argued that it would be contrary to the fundamental principles of VAT if LPG's profits were not taxed. The Tribunal dismissed this argument. It is the commercial reality that issuers and intermediaries buying and selling credit vouchers will almost invariably do so at a profit having agreed discounts on the face value of the vouchers, otherwise there would be no point in them making the supplies. As Parliament provides for certain vouchers to be bought and sold by intermediaries without attracting VAT, Parliament must have envisaged that the intermediaries' profits in this case should not bear VAT.