

VAT-inclusive and VAT-exclusive price claims

Best practice guide



Foreword

This guide is intended to help retailers comply with the CAP Code and to understand the Advertising Standard Authority's (ASA) current position regarding the acceptable use of VAT-inclusive and VAT-exclusive price claims.

The guidance reflects lessons from ASA rulings however, it is not a substitute for the Code and it does not bind the ASA Council in the event of a complaint about an ad that follows it.

The ASA regulates your advertising only. This includes paid-for advertising on the Internet (e.g. banner and pop-up ads), marketing communications in emails, mobile marketing, video on demand (VOD) as well as advertisers' own websites and marketing communications in other non-paid-for space under your control, such as social networking sites like Facebook and Twitter. The ASA does not regulate companies' business practices; that is a matter for Trading Standards.

For pre-publication advice on specific non-broadcast marketing communications, consult the CAP Copy Advice team by telephone on 020 7492 2100 or you can log a written enquiry via our [online request form](#).

For advice on specific TV advertisements please contact [Clearcast](#), and for Radio advertisements please contact [Radiocentre](#).

For more information, please visit our [website](#).

Use of VAT-inclusive and VAT-exclusive prices in ads

The UK Code of Non-broadcast Advertising and Direct & Promotional Marketing (CAP Code) is the rule book for non-broadcast advertisements and promotional & direct marketing communications. Section 3 of the CAP Code contains rules regarding misleading advertising, including price statements.

Rule **3.18** states:

Quoted prices must include non-optional taxes, duties, fees and charges that apply to all or most buyers. However, VAT-exclusive prices may be given if all those to whom the price claim is clearly addressed pay no VAT or can recover VAT. Such VAT-exclusive prices must be accompanied by a prominent statement of the amount or rate of VAT payable.

The following best-practice advice explains which prices you should be using in your marketing, depending on the target audience:

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- *If your customers are consumers* ⚡
 - *If your customers are businesses* ⚡
 - *If your customers are businesses and consumers* ⚡
 - *Prices in sponsored search ads* ⚡
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If your customers are consumers

Consumers usually have to pay VAT and / or can't generally recover VAT. The ASA has ruled against many ads for quoting VAT-exclusive prices without marketers taking into account that not all of their customers did not have to pay VAT or were able to recover VAT.

Therefore, if your customers are consumers, all prices you quote should include VAT. When VAT is included in the quoted price, it is optional to include a statement to that effect.

Best practice recommendation:

£150

£150 – includes VAT (optional information)

Relevant ASA rulings:

[VistaPrint Ltd](#), 4 July 2012

[Valley Services Ltd](#), 13 March 2013

If your customers are businesses

VAT-registered businesses normally don't pay VAT and / or are able to recover VAT. Therefore, the use of VAT-exclusive prices is acceptable if your audience consists of business customers. However, you need to ensure that consumers who see your marketing materials understand that VAT-exclusive price claims do not apply to them by clearly addressing them to those eligible. The ASA has upheld complaints against ads that failed to clearly address VAT-exclusive prices.

Addressing VAT-exclusive price claims

It may be clear from the context of the marketing communication, for example from the name of your website, or the placement of your ad, that it addresses business customers. You may also be able to determine, before giving any prices, whether potential buyers are consumers or business customers, and ensure that they see only those prices that apply to them. VAT-exclusive prices could also be accompanied by statements such as "business price" or "trade price" to make clear who is eligible.

VAT-exclusive prices should be accompanied by a prominent statement of the amount or rate of VAT payable and the ASA has upheld complaints where this was not the case.

Best practice recommendation:

Business price: £120 + £30 VAT

Business price: £120 + VAT@20%

Business price: £120, ex VAT@20%

Relevant ASA rulings:

[BusinessMobiles.com Ltd](#), May 2012

[123-Reg Ltd](#), July 2017

If your customers are businesses and consumers

If your customers consist of both businesses and consumers, VAT-inclusive prices should be given. While VAT-exclusive prices may also be given, the following needs to be observed:

Quoting VAT-inclusive and VAT-exclusive prices

If VAT-exclusive prices are quoted in addition to VAT-inclusive prices, you should ensure the VAT-inclusive prices are given sufficient prominence to avoid misleading. A VAT-inclusive price should be given at least equal prominence to the VAT-exclusive price. The ASA has previously considered that presenting the VAT-inclusive price in smaller font and in a colour less distinct from the background was insufficient.

As above, VAT-exclusive prices should be clearly addressed to those who pay no VAT or can recover VAT, and should be accompanied by a prominent statement of the amount or rate of VAT payable. The ASA has ruled on several occasions that labelling prices as “ex VAT” and “inc VAT” is not sufficient to make clear to whom each claim is addressed, and in particular that it does not constitute the VAT-exclusive price being clearly addressed to business customers.

Best practice recommendation:

Consumer price: £150

Trade price: £120 + VAT@20%

Relevant ASA rulings:

[Computer Risk Management Ltd](#), March 2016

[AEW Paddock Motors Ltd](#), March 2016

[Vistaprint BV](#), May 2017

Prices in sponsored search ads

While the ASA has ruled it to be acceptable for marketers to use VAT-exclusive prices in sponsored search results if the majority of their customers are businesses, you must again be careful to clearly address those price claims to those who pay no VAT or can recover VAT, for example by stating “business price” or “trade price”. The ASA has upheld complaints against sponsored search ads that did not clearly address VAT-exclusive prices. VAT-exclusive prices must be accompanied by the rate or amount of VAT payable.

Where marketers offer their services to non-business as well as business customers, the ASA has previously considered sponsored search results were not addressed solely to business customers and VAT-inclusive prices should be quoted.

Relevant ASA rulings:

[123-Reg Ltd](#), July 2017

[Interparcel Ltd](#), September 2013

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