

Taxline and VATline Q & A

Taxline 0845 356 0006 VATline 0845 356 0007

Q: My client has established a web-site to provide introductions for new business to financial service providers - typically banks and other lenders. My client is paid a commission for each loan taken out. Is this income exempt from VAT?

A: This depends on what your client actually does to make the introduction. If your client is actively involved in the arrangements for the loan, for example in the completion of the loan application form or in carrying out credit checks on the applicant the income will be exempt, but if your client's involvement is passive, for example they just provide advertising or a click through link to the lender's site, the commission will be subject to VAT at the standard rate. There is often a fine grey line between exemption and standard rating - the more that is done by the intermediary the more certain the exemption.