Dear customer

VAT on sales of prize draw tickets

We're writing to businesses that run prize draws. These are competitions that offer both paid and free entry routes.

Prize draws aren't exempt from VAT. This means paid entries are subject to VAT at the standard rate of 20%.

We know some businesses aren't correctly accounting for VAT on their ticket sales. This letter is to help you get your VAT right.

What you need to do

Please review your records to make sure you're charging and accounting for VAT correctly on prize draw ticket sales. If you've correctly accounted for VAT, you don't need to do anything else.

If you think you've made an error on any previous VAT returns

You can correct recent, lower value errors by making an adjustment on your next return. For other errors, you'll need to tell us online or in writing. You can check how to tell us by using our online tool – go to GOV.UK and search 'check how to tell HMRC about VAT return errors'.

You'll also need to pay any extra VAT you owe.

If you don't take action when you need to

If we later find errors in your VAT returns you haven't told us about, we'll treat any disclosure you make as 'prompted'. This may affect any penalties you have to pay. For more information, go to GOV.UK and search 'CC/FS7a'.

Extra support

If your health or personal circumstances may make it difficult for you to deal with us, please tell us. We'll help you in whatever way we can. For more information, go to GOV.UK and search 'get help from HMRC if you need extra support'.

You can choose to appoint an accountant or agent to help you with VAT, submit your VAT Returns and deal with us on your behalf. If you already have an accountant or an agent, you may want to show them this letter, as we haven't sent them a copy.

Yours faithfully

HM Revenue and Customs