

Undisclosed agency

Undisclosed agency occurs when it is important that the identity of either the seller or customer is not known to the other, usually for commercial or political reasons. The party that wishes to remain anonymous appoints an agent to act on its behalf and to be seen by the other party as the principal.

Where there is an undisclosed agency, there are two main supplies: from the buyer to the agent, and by the agent to the seller. The agent may also make a supply of its services to the principal that appointed it.

Example:

Togs Limited wishes to sell £20,000 worth of clothing to Modey Modes, a retail shop, but does not wish Modey Modes to know that it is buying from Togs.

Togs appoints St. Ouen's Supplies (SOS) as its agent and issues to it a GST invoice for the clothing, showing £20,000 plus £600 GST, dated 20 October 2008. SOS treats this as a purchase and the GST charged as input tax.

SOS issues a GST invoice to Modey Modes for the clothing, showing £20,000 plus £600 GST, also dated 20 October 2008. SOS treats this as its sale and the GST as is output tax.

SOS may also invoice Togs Limited for acting as its agent, charging GST on the value of this supply. In this case the agency fee is £500 plus £15 GST.

St. Ouen's Supplies' GST Return for this period will therefore include the following values:

Box 1	Value of sales:	£20,500
Box 2	Zero rated sales:	£ 0
Box 3	Standard rated sales:	£20,500
Box 4	Purchases:	£20,000
Box 5	Imports:	£ 0
Box 6	Output tax:	£ 615
Box 7	Input tax:	£ 600
Box 8	Tax due to Treasury:	£ 15