EDUCATIONAL RESOURCE

Physical Silver Handbook

Contents

Physical Silver Handbook

A structured reference for UK buyers

Seven sections covering what physical silver is, how it is priced, the 20% UK VAT that every

silver buyer must understand, formats and storage, the buying and selling process, and

records. Starts with VAT — because it changes everything.

What is physical silver

The UK VAT reality — 20% on all silver

VAT-free silver storage

Formats compared — bars, coins, rounds

Storage and tarnish

Buying and selling

UK CGT on silver

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always verify with HMRC and seek qualified advice for your individual circumstances.

01 · WHAT IS PHYSICAL SILVER

Property

Silver

Element symbol

Ag (from Latin "argentum")

Density

10.49 g/cm³ — significantly less dense than gold (19.32)

Does it tarnish?

Yes — silver reacts with sulphur in air, forming silver

sulphide

Standard investment purity

999 fine (99.9%)

Weight unit

Troy ounce (1 troy oz = 31.1035 grams)

Storage consideration

Silver is bulky — £30,000 of silver weighs ~30kg; same

value of gold ~340g

02 · THE UK VAT REALITY — START HERE

The most important fact about UK silver buying

ALL physical silver in the UK — bars, coins, and rounds — is subject to 20% VAT at purchase.

Investment gold is VAT-exempt. Silver has no equivalent exemption. This is not optional and cannot

be avoided on UK-delivered physical silver.

Break-even calculation:

Scenario

10oz silver @ £25/oz spot + 5% premium

Spot value

£250.00

With 5% premium

£262.50

VAT at 20%

+£52.50

Total paid

£315.00

Need to sell at to break even (at 97%

buyback)

£315 ÷ (10 × 0.97) = £32.47/oz spot needed

Break-even rise

(£32.47 − £25.00) ÷ £25.00 = +29.9% spot rise

needed

Silver must rise approximately 28–32% from your purchase spot price just to break even — before any dealer spread on

resale.

The margin scheme: some dealers sell second-hand silver where VAT applies only to their profit

margin, not the full price. This can reduce the effective VAT cost for the buyer. The seller (you)

receives the spot-based buyback regardless.

03 · VAT-FREE SILVER STORAGE

UK buyers can purchase silver held in a bonded overseas vault (typically Switzerland) and defer UK

VAT until the metal is delivered to a UK address. The silver is legally allocated to you. VAT is deferred — not eliminated — until UK delivery.

Scenario

VAT treatment

Buy silver in UK — take delivery

20% VAT at purchase, not recoverable

Buy silver in bonded overseas vault — sell

without delivery

No UK VAT triggered

Buy in bonded vault — request UK delivery

20% VAT payable at point of delivery

Bonded storage costs: typically 0.5–1% of stored value per year. Compared to 20% VAT, storage is considerably cheaper for

most holding periods. BullionVault and BullionByPost have offered this arrangement. Check current terms directly —

arrangements change.

04 · FORMATS COMPARED

Factor

Silver bars

Silver Britannia

Silver round

Producer

Recognised refiners

The Royal Mint

Private mints

Legal tender?

No

Yes (UK)

No

UK VAT

20%

20%

20%

CGT on gains

Standard CGT

Often CGT-exempt

Standard CGT

Recognition

Brand-dependent

Universal

Design-dependent

Tarnish risk

Low (sealed)

Medium

(unprotected)

Medium

05 · STORAGE AND TARNISH

Silver tarnishes. Gold does not. This is a practical difference that affects storage requirements and

long-term presentation.

• Store in airtight capsules (for coins) or sealed bags (for bars)

• Low humidity — consider silica gel packets in sealed containers

• 999 fine silver tarnishes more slowly than 925 sterling silver

• Tarnish does not affect bullion metal value, but matters for collectable coin resale

• Never clean tarnished silver with abrasives — it can permanently damage the surface

• Keep silver away from rubber, felt, and polluted air — all accelerate tarnish

Physical volume note:

Silver is dramatically bulkier than gold for the same monetary value. £30,000 of silver at £30/oz =

approximately 1,000oz = 31kg. Home storage becomes physically challenging at scale.

06 · BUYING AND SELLING

Route

Typical rate

Best for

Online dealer (postal)

95–100.1% of spot

Standard investment bars/coins

In-person

93–98% of spot

Larger volumes, unusual items

Auction

Variable

Rare or numismatic pieces only

Pawn/cash-for-silver

60–80% of spot

Not recommended for bullion

Gold.co.uk publishes up to 100.1% buyback for silver

When dealers need to restock popular silver products, they sometimes pay above spot. Always

compare at least two dealers on the same day before committing to any sale.

07 · UK CGT ON SILVER

All physical silver is subject to standard Capital Gains Tax on gains above the annual allowance

(£3,000 for 2024/25).

Important: your acquisition cost for CGT purposes includes the 20% VAT you paid at purchase.

Keep your original invoice — this establishes both the cost basis and the VAT-inclusive price.

Situation

CGT treatment (educational context)

Silver bars — sold at a gain

Standard CGT. 18% (basic) or 24% (higher rate) on gains

above allowance.

Situation

CGT treatment (educational context)

Silver Britannia coins — sold at a

gain

Often CGT-exempt as UK sterling legal tender (TCGA 1992

s.21). Verify.

Silver rounds — sold at a gain

Standard CGT applies. Not UK legal tender.

Silver in bonded vault — sold

without delivery

CGT event still occurs on disposal. Overseas location does

not exempt gains.

The double burden: silver carries 20% VAT at purchase AND standard CGT on gains. This is why many UK investors prefer

Gold Sovereigns (no VAT, often CGT-exempt) or VAT-deferred vaulted silver as their primary precious metals position.

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