



HM Revenue  
& Customs

# HMRC Charities VAT Overview

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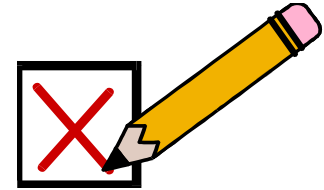
Specialist PT Charities, Savings & International  
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# VAT and Charities

- There is no blanket exception from VAT for Charities.
- They are generally subject to the same VAT rules as other organisations & pay VAT in the UK on sales and purchases just like anyone else.
- Charities must register for VAT if their **taxable** sales of goods & services exceed the prevailing VAT threshold - currently £83,000 p.a.
- Certain goods and services are zero-rated or reduced-rated when purchased by charities – otherwise known as ‘VAT reliefs’.



# VAT and Charities



## Sales / Income

Non-business activity – no consideration for a supply.  
Commonly referred to as “outside the scope”.

Examples include:

- Drop in centres
- Free admission
- Rescue services; and
- Helplines



# Charitable activity

Charitable activities can be 'business activities' for VAT purposes

Business activity – A consideration is received in return for a supply

Business supplies can potentially fall within the scope of VAT

BUT

If charity is not registered for VAT then no need to charge VAT



# Will a change in activity lead to the charity needing to register for VAT?



- Yes, if the value of their total taxable supplies reaches the threshold. At present £83,000 per annum
- Charities can register voluntarily at anytime providing they are making supplies which would be taxable



# What are the benefits of registration?



- The Charity can reclaim any VAT it incurs in making taxable supplies



# VAT liability of business supplies

Business supplies could be:

- Taxable at standard rate – 20%
- Taxable at reduced rate – 5%
- Taxable at zero rate – 0% or
- Exempt from VAT.
- **Common examples of exempt activities:**
  - Welfare
  - Education and training
  - Sports
  - Fundraising events.



# VAT registered charities – claiming VAT on costs

## The partial exemption general rules:

- You can claim *ALL* input tax directly attributable to taxable supplies
- You can claim *NO* input tax directly attributable to exempt supplies
- A mixture of both – partial exemption calculation required to determine the percentage of residual input tax claimable.
- [VAT Notice 706](#)





# Common charity activities and their VAT treatment

## Charity shops and selling goods;

- Sales of donated goods = zero-rated.
- Sales of bought in goods = standard-rated (unless zero-rated books).
- If a charity charges donors to sell their donated goods = standard-rated.
- If a charity makes no charge to sell donated goods = non-business.
- A VAT-registered charity can claim back VAT on direct costs incurred.



# A change in activity – common charity activities and their VAT treatment



## Admission to premises;

- If this is free, but a donation is requested = no VAT is payable
- If there is a set admission fee = VAT is payable
- If a minimum donation is requested and admission is not allowed unless this is paid = VAT would be payable



# A change in activity – common charity activities and their VAT treatment



## Advertising services;

- Sale of advertising space in own publications or website = VAT payable
- Sale of advertising space to another charity = zero-rated
- Key thing to remember – advert must be using someone else's time or space



# A change in activity – common charity activities and their VAT treatment



## Fund-raising events that qualify for exemption;

- The event must be promoted as raising funds for the charity
- Must be held in UK; and
- Must not be a series of more than 15 of same type in same location.
- Exemption is available to charities and their wholly owned trading subsidiary.



# VAT reliefs available for Charities



Does a charity have to be registered for VAT to benefit from reliefs?

NO, BUT =

Recognition as a charity for tax purposes is essential to claim reliefs.

[www.GOV.uk](http://www.GOV.uk) >search 'Charities and tax' > 'Get recognition for tax purposes'



# VAT reliefs available for Charities



- Construction of buildings to be used for 'Relevant Charitable Purpose' (RCP) or 'Relevant Residential Purpose' (RRP) – not subject to charitable status.
- Advertising services and goods connected with collecting donations
- Charity funded medical, veterinary, scientific & rescue equipment and ambulances
- Certain aids to be made available to disabled people



# VAT reliefs available for Charities

## Changes to accommodation



### Construction services – Notice 708

- Constructing a new building
- Changing an existing building
- Disapplication of a Landlord's 'option to tax'
- (Land and property is exempt if not 'opted' – Notice 742)



# VAT reliefs available to Charities



- Advertising and goods connected with claiming donations
- Aids for the disabled
- Medical & scientific equipment
- Medicinal products and substances
- Drugs and chemicals for medical & veterinary research
- Lifeboats, slipways & launching equipment, including fuel
- Rescue equipment
- Resuscitation training model

Eligibility declaration is given to supplier to claim zero-rating.

VAT Notice 701/1– Charities – available from [WWW.GOV.UK](http://WWW.GOV.UK)





# VAT reliefs available for disabled & older people



- Vehicles substantially and permanently adapted for wheelchair users
- Equipment and appliances “designed solely” for use by a disabled person
- Grab rails, ramps, stair/bath seats
- Disabled people give an eligibility declaration to the supplier

VAT Notice 701/7 – Disabled Reliefs - available from [WWW.GOV.UK](http://WWW.GOV.UK)





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Thank you

Website: [WWW.GOV.UK](http://WWW.GOV.UK)

Helpline: 0300 123 1073

E-mail: [Charities and Community Amateur Sports Clubs -  
Contact HM Revenue & Customs - GOV.UK](mailto:Charities and Community Amateur Sports Clubs - Contact HM Revenue & Customs - GOV.UK)