VAT on Fundraising

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Now, for tomorrow

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Speakers



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About us

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Founded in 1869, we've built a reputation as a leading challenger in audit, tax, and advisory, with over 2,000 people and 157 Partners across 32 offices in the UK, Ireland, South East Europe, the Cayman Islands, and the UAE.

Our acquisition of Baker Tilly South East Europe expanded our footprint across Cyprus, Greece, Romania, Bulgaria, and Moldova. More recently, the acquisition of Moore Stephens UAE has further strengthened our international platform, extending our presence across the Middle East with offices in Dubai, Abu Dhabi, and key free zones across the UAE.

As the UK representative of Baker Tilly International, we connect our clients to a powerful global network while remaining agile, partner-led, and human-centred. Whether you're a fast-growing start-up or an established enterprise, we bring the insight, reach, and energy to help you achieve your goals – and go further.



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Fundraising - Why does VAT matter?

Irrecoverable VAT Costs
Hidden costs erode net fundraising income

Unexpected VAT Bills
Poor structure creates surprise liabilities

Governance and Audit Risk
VAT errors trigger compliance exposure

Most VAT problems arise from good intentions but poor structure. Understanding the impact of VAT protects fundraising income and avoids HMRC disputes.

VAT Treatments

All fundraising income falls into one of three VAT treatments

Outside the Scope of VAT	Exempt	Taxable
Donations	Qualifying fundraising events	Sponsorship
Crowdfunding	Lottery Tickets	Commercial activities
Cash Gifts		Branding & Advertising
Gift Aid donations		Charity Shops
Anonymous Appeals		

Fundraising Events – The VAT Exemption

1 The supply of goods and services by a charity in connection with an event—

(a) that is organised for charitable purposes by a charity or jointly by more than one charity,
(b) whose primary purpose is the raising of money, and
(c) that is promoted as being primarily for the raising of money.

2 The supply of goods and services by a qualifying body in connection with an event—

(a) that is organised exclusively for the body's own benefit,
(b) whose primary purpose is the raising of money, and
(c) that is promoted as being primarily for the raising of money.

"Charity" includes a body corporate that is wholly owned by a charity if—

- the body has agreed in writing (whether or not contained in a deed) to transfer its profits (from whatever source) to a charity, or
- the body's profits (from whatever source) are otherwise payable to a charity.

"Qualifying body" means:

- any non-profit making organisation
- any body that is an eligible body and whose principal purpose is the provision of facilities for persons to take part in sport or physical education; or
- any body that is an eligible body for the purposes of the cultural exemption (i.e. precluded from making profit, ring-fencing rules around any profits arising, managed voluntarily).

Fundraising Events – Qualifying Events

A fundraising event is an event clearly organised to primarily raise money for the benefit of a charity or qualifying body.

Typically, this will include balls, concerts, challenge events, fetes, fairs, quiz nights, fireworks displays, auctions and dinners.

An event qualifying for the VAT exemption must meet certain conditions.

Primary Purpose

VAT Law states the primary purpose of the event must be for the raising of money. However following the Yorkshire Agricultural Society UT decision in January 2025, it is accepted that there can be more than one primary purpose.

Therefore, to meet this condition you must evidence that fundraising was either:

- The clear primary purpose of organising the event, or
- One of the primary purposes and that the purposes are so interlinked that they cannot be separated in importance.

Fundraising Events – Qualifying Events

The rule of 15

Qualifying fundraising events are restricted to 15 events of the same kind in the same place in any financial year by a charity, qualifying body and its trading subsidiary. If 16 or more similar events are held in the same location in a financial year, none of the events will quality for exemption.

Events such as quiz nights or other routinely organised events may be affected.

A single event which takes place over multiple days (such as a golf tournament) counts as a 1 event.

The 15-event limit does not apply to fundraising events where the gross takings from all similar events, such as coffee mornings, are no more than £1,000 per week.

Fundraising Events – Continued

Supplies covered by the exemption:

- All admission charges
- Sale of commemorative brochures (trumped by zero rating)
- Sale of advertising space in the brochures (trumped by zero rating)
- Goods sold such as clothing, bags and non-donated auctioned goods. Children's clothes may be zero rated.
- Sponsorship payments directly connected with the qualifying fundraising event.

The exemption <u>does not</u> extend to:

- Recordings of the event sold after it has taken place.
- Surplus commemorative items such as t shirts and mugs.
- Sale of donated goods but these may be zero rated.

Challenge Events and TOMS

Donation only

No pre-existing agreement with either the donor or event organiser: a donation from the participant or organiser is likely to be non-business income and fall outside the scope of VAT.

Disclosed agent

The charity or subsidiary sells places for a named organiser, who remains responsible for the event. The charity supplies agency services.

The consideration for VAT purposes is the commission the charity receives, and this may be subject to VAT.

Principal or undisclosed agent: TOMS

A charity that takes responsibility for an event and packages travel and/or accommodation, as principal or as an undisclosed agent, is likely to fall within the Tour Operators' Margin Scheme. Any fundraising event which falls within TOMS does not qualify for the fundraising exemption.

Under TOMS, VAT is due on the margin. The margin is standard rated for an event in the UK. For an event outside the UK, the margin is zero rated. No VAT can be recovered on direct costs.

Charity Shops

Many goods sold in a charity shop are donated to them.

The sale, hire or export of donated goods by a charity (or its subsidiary) is zero rated provided:

- The goods have been donated to the charity or trading sub that is selling them
- The goods are made available to the general public, or 2 or more persons who are disabled or receiving means tested benefits. I.e. the purchase is not restricted to private buyers.

Zero rating won't apply:

- If the sale, hire or export of goods is made as a result of an arrangement between the donor and the charity or buyer prior to the goods being made available for public purchase.
- Goods are used for any other purpose after donation - for example office furniture which is used by the charity first and then sold in a charity shop will not qualify for zero rating.

Bought in Goods:

Goods purchased by a charity for sale, VAT will be accounted for on the sale at the standard rate unless they are specifically zero rated. Such as children’s clothes or books.

Lotteries

- Granting the right (i.e. the sale of tickets) to take part in a lotter is exempt for VAT purposes.
- The value of the exempt supply is the gross proceeds of the ticket sales, less the amount of cash prizes given or the gross cost of the goods given as prizes.
- The follow lotteries fall under the Gambling Commission's regulatory powers and must be run in support of good causes (like charity fundraising) and not for commercial purposes:
    - Large society lotteries defined by the Gambling Act 2005
    - local authority lotteries operated by local authorities to support any purpose for which they have power to incur expenditure
    - small society lotteries which are exempt from holding an operating licence, but must be registered with their local authority

Lottery Management Companies

- Charities may use Lottery Management Companies to arrange the lottery on behalf of the organisation. This could include things like printing tickets, organising publicly, arranging the same of tickets through agents, and paying out the prizes.
- The services of these management companies are generally standard rated for VAT purposes.

Corporate Charity Days

No Charge:

The supply is non-business and outside the scope of VAT where:

- Employees provide labour for the charity's benefit and receive no 'corporate experience' like a team-building day.
- Participation is available without payment
- Any contribution is voluntary and does not secure places or other benefits.
- There is no contractual obligation for the charity to provide services such as team-building exercises, hospitality, training, food or drinks etc.

Charged:

- Charities could charge an administrative/participation fee to cover staff time, tools and other costs. It can be difficult to determine whether VAT is due. A small fee to cover costs of delivering the volunteering day could be seen as non-business as the supply is unlikely to be economic in nature.

- However, where fees cover reservations for a date, refreshments or 'an experience', the charity may be providing services in return for consideration, and this could be seen as economic in nature.

- Charges for corporate experience or team-building days would be considered economic in nature and standard rated for VAT purposes.

Sponsorship vs Donation

Sponsorship

Payment by a business or individual for a benefit or supply in return. You would be obliged to provide the sponsor with a significant benefit in return. This can include:

- Naming an event after the sponsor to promote their brand
- Participating in sponsor's promotional or advertising activities
- Giving free or subsidised tickets
- Giving access to special events like galas or premiers

Standard Rated*

VS

Donation

Freely given support with no significant goods or services in return falls outside the scope of VAT. However you can still give insignificant benefits, such as:

- Simple acknowledgement
- Naming a building/wing after donor
- Flag/sticker
- 'buy a brick' campaigns

Non-Business

Sponsorship vs Donation – other points

- **Donation plus sponsorship**: a separate donation must be genuinely optional and unconditional. Clearly distinguish it from payment for benefits in the agreement and supporting records.

- **Support in kind**: goods or services exchanged for sponsorship benefits are barter. Such as use of a function room in exchange for naming rights. The value of the sponsorship will need to be carefully considered.

- ***Fundraising Events:** Sponsorship payments directly connected with a qualifying event are within the scope of the fundraising event exemption, rather than being standard rated.

Advertising Costs

Many charities will look to undertake advertising campaigns to raise awareness increase fundraising.

Advertising can range from adverts in newspapers, hoardings or sports events to those on clothing, television and websites.

The supply of designing or producing adverts to charities benefits from zero rating. However, there are some restrictions to this:

- Zero rating does not apply if the advert is for use on the charity's own platforms.
    - Unless it is used for both the charity's own platforms and third-party advertising space. In which case it can be apportioned.
- Zero rating does not apply where the advert is directed to a member of the public who is 'selected by or on behalf or the charity'. 'Selected' in this instance means identified by address, telephone number or e-mail address. So postal campaigns would fall within this restriction.
- HMRC have also stated that this extends to adverts on social media where the recipient has to log in to their personal pages and so the social media's algorithm would target those individuals with the advertising campaign.

Reverse Charges

Typically, most advertising services purchased by a UK charity would be from a domestic supplier. However, most social media advertising is placed directly through the social media company rather than a third-party advertising firm.

Non-UK social media company = Reverse Charge

Reverse Charge = Standard Rated Taxable turnover

VAT Registration and Recovery

- **VAT Threshold:**
  - Exempt or non-business supplies, such as qualifying fundraising events and donations, do not contribute towards the VAT registration threshold of £90,000.
  - Any other supplies which are taxable for VAT purposes, such as sponsorship activities, or non-qualifying event income will contribute towards the VAT registration threshold.
- **VAT Recovery:**
  - Input VAT on costs directly linked to exempt or non-business supplies is irrecoverable. The exempt income would also reduce the partial exemption or business non-business recovery rate, reducing the recovery of residual input VAT.
  - Input VAT on costs directly linked to taxable supplies is recoverable and taxable supplies increases recovery of VAT on residual costs.

Is it that simple for fundraising..?

In Church of England Children's Society (CECS) vs HMRC the High Court found that where funds raised are wholly to support the making of business supplies, all VAT incurred on that fundraising can be treated as input VAT. If the funds supported the charity as a whole, it could be seen to be residual and recoverable in accordance with the PE and BNB calculations.

HMRC have not specifically responded or update their guidance following CECS, and charities adopting that position could face challenges.

Practical Trustee Checklist

Before launching fundraising activities, ask:

1. **Type of activity**
   Is this a donation, event or commercial activity?

2. **Legal organiser**
   Who is the organiser in law (not just in name)?

3. **VAT recovery**
   Will VAT on costs be recoverable or irrecoverable?

4. **Event limit**
   Are we close to the 15-event limit?

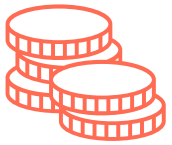
5. **Sponsorship and branding**
   Is there sponsorship or branding involved?

Early advice often adds net value, not cost.

Take-Away Thoughts



VAT should not be an after thought



VAT costs associated with fundraising can be avoided



Trustees should see VAT as a governance issue, not just tax

Q&A

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