

“It is justice, not charity, that is wanting in the world!”

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Simply take.....

Complexity

Constrained resource

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Uncertainty

Underclaims

Assessments

VAT Tribunals

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What can charities do?

What can HMRC do?

What can CTG do?

# Charities

- 1) Income – should I charge VAT?
- 2) Expenditure – should I pay VAT?
- 3) Can I claim back any VAT?

# Charities

- 1) Income – should I charge VAT?
- 2) Expenditure – should I pay VAT?
- 3) Can I claim back any VAT?

# Income – why no VAT?



Non-business /  
no supplies

Exempted /  
relieved /  
excepted

Below  
registration  
limit

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# No supply

Are you sure?

Things move on (e.g. FE sector funding Colchester Institute)

Donors/funders/sponsors want more

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# No supply

Are you sure?

Small benefits = supply (Serpentine, Tron Theatre)

Not the same rules as gift aid

# No supply

Are you sure?

Motivational test (I am a charity) / 'predominant concern' no longer significant

Longridge and Wakefield

# No supply

Revenue and Customs Brief 10/22

2 part test:

Supply for consideration?

For the purpose of obtaining remuneration (even if below cost)

# Practical steps

Review income streams

Special focus on:

The terms of any grants and donations

Reliance on non-business principles

# Exempted/relieved/excepted

Supply for consideration = VAT

Exceptions are conditional

# Exempted/relieved/excepted

Example - Fundraising exemption:

By a charity for charitable purposes

Primary purpose is to raise funds

Promoted as being primarily to raise funds

# Great Yorkshire Show

Exempted entrance fees – HMRC assess and reject claim for earlier periods

‘Yorkshire Agricultural Society’ – more than a show

Education, raising awareness, helping farmers

Show surplus c£1.5m

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# Great Yorkshire Show

Fliers and programme say

*"The Great Yorkshire Show raises funds for the Yorkshire Agricultural Society to help support farming and the countryside".*

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# Other cases

Compare to Loughborough Students Union

‘no internal documentation supporting fund raising argument’

Bournemouth

‘fairly focussed evidence’ – event was to improve finances

# Practical points

Check the conditions

Demonstrate compliance

Key test if unsure:

‘how would I support this in Tribunal?’

# Can I claim my VAT back?

Grants and donations are outside the scope of VAT

No supply

No Supply = no VAT reclaim?

# Kretztechnik (2005)

An operation outside the scope of VAT,  
carried out for benefit of economic activity

Costs = an overhead

= partial recovery (or full if fully taxable)

# Sveda (2015)

Grant funded path (90%)

Path leads to café with taxable sales, but also free use

Direct and immediate link to taxable sales

# Cambridge University (3/7/2019)

Investment fund

Outside the scope of VAT

VAT on manager fees

Supports the University's activities

Kretztechnik?

# Cambridge University (2019)

Income allows University to reduce the price of transactions

Costs incurred are not cost components of taxable supplies

No deduction

A general principle?

# Frank Smart (29/7/2019)

Receives a subsidy

Uses or intends to use to buy capital equipment

Which will generate taxable sales

Deduction allowed – there is a link between the ‘fund raising costs’ (an overhead) and future sales



# Can I claim my VAT back?

Grant/donation income may support taxable activity

Or both taxable and non-business

And is income the right measure anyway

# Can I claim my VAT back?

Apportionment of 'input' VAT

Charities frequently use income & HMRC prefer income

But income is complicated and may be distortive

e.g. capital grants, subsidies, differential pricing

# Practical points

Do you all your grants represent non-business activity?

Are they a fair measure of non-business activity?

# What can we do?

HMRC can be helpful with CTG prompting

VAT simplification review

‘In’ becomes ‘in or on’?

CTG need to know

Questions?

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