

VAT treatment of humanitarian and associated research funding – clarifications from HMRC on the application of published guidance

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The Charity Tax Group (CTG) worked with member charities and universities to identify areas of uncertainty in HMRC guidance in respect of the VAT treatment of humanitarian and associated funding (including UK Department for International Development (DfID) funding and UK Global Challenges Research Funding (GCRF)).

This resulted in written correspondence between CTG and HMRC between February and June 2020. The format of the correspondence is HMRC providing answers to questions posed by CTG. HMRC officials have indicated that guidance may be updated in due course, but have agreed that the full correspondence can be published in the interim.

The headline findings are summarised below. However, the Charity Tax Group cannot comment on specific funding arrangements and charities should always seek professional advice where appropriate and read the correspondence in full.

CTG Management Committee Member, Andrew Disley, who led the project, commented:

“CTG is very grateful to HMRC for the additional guidance that has been provided on the VAT status of humanitarian aid funding received from governmental and intergovernmental organisations and more generally on Back to Back grant funding arrangements. The guidance has provided very helpful clarification in this area. This guidance will be of assistance to members to identify areas where additional VAT recovery may be possible and also identify transactions to which the reverse charge procedure does not apply.”

Government etc funding

UK Overseas Aid Programme

All grant funding received from a UK government department in order to fund the carrying out of the UK’s overseas aid programme is a non-business activity and therefore outside the scope of UK VAT. No charging of VAT and no recovery of input VAT.

This covers both DfID funding but also other grants eg GCRF. It is not necessary to consider the general form guidance in VATSC16300 etc. This covers both amounts receivable under Accountable Grant Arrangements (AGAs) and amounts receivable under service contracts.

DfID special arrangement

There are a number of tripartite arrangements under which DfID make payments to UK charities etc on behalf of overseas governments. See VATGPB9500. The underlying service agreement is with the overseas government but DfID agrees to settle the bill. This is described as a “special arrangement”. Where there is

a supply no VAT is chargeable by the charity because the supply is overseas ie an export but input VAT can be reclaimed (ie good news). DfID and HMRC have agreed that it is only the former department that can determine if supplies are being made in relation to these specific circumstances, and they will notify a contractor of the situation and the VAT treatment required.

Other non UK governments and intergovernmental organisations

The normal guidance on grants applies. If, for example, a charity received an Irish Aid grant income to fund a Covid-19 relief programme in Yemen under a pay by results service contract, which was agreed to give rise to a supply, then the charity would not need to charge any VAT because this is an outside the scope supply (ie export) but input VAT is recoverable.

Back to Back Arrangements

Suppliers in Back to Back Arrangements

HMRC guidance is not prescriptive about who the supplier should be and is not limited to, for example, universities or overseas aid charities. If the circumstances mirror those set out in paragraph 6 of VAT Information Sheet 11/13, where a contract involves grant funding flowing through one body to others, and the arrangements are genuinely non-business, then HMRC accepts that all the services provided by each of the collaborating bodies are outside the scope of VAT.

Subsequent identification and contracting with collaborative partner

HMRC has confirmed that it is not necessary to have identified the collaborative partner when the main grant is entered into for the back to back relief to apply. If the arrangements are genuinely non-business activities, and the grant funding flows through a lead body to the others involved in the contract, then knowing the identities of the collaborators is not necessary at the time of the application. HMRC state:

For example, a Government department funds some research for the common good. It funds body "A", but other bodies are also involved. "A" holds the funds and at the start of the research project it is known that bodies "B" and "C" will be involved. Subsequently, some of the research is also undertaken by "D". The collaborative research principle applies to "D" as much as it applies to "A", "B" and "C".

Reverse charge on payments of GCRF funding to overseas partners delivering the UK international aid program on the ground.

Funding transferred from the recipients of GCRF, such as universities, to overseas partners is generally outside the scope. On this basis, there is no supply by the entity undertaking the work, or procuring the work, and therefore the funding is outside the scope of UK VAT, it therefore follows that no reverse charge would apply.

The voice of charities on Tax

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While all efforts are made by the Charity Tax Group to give assistance to its members, it is not qualified to give technical advice on fiscal matters and cannot therefore be liable in any way for any such advice given.

Charity Tax Group correspondence with HMRC on the humanitarian and associated research funding

Questions for HMRC on humanitarian and associated research funding – February 2020

Questions submitted to HMRC by e-mail, following a CTG working group meeting with interested charities, universities and advisers

I. Department of International Development (DfID) funding

There are currently two pieces of relevant HMRC guidance.

a. Draft Guidance prepared in November 2013 following discussions between HMRC and the Charity Tax Group (further background available on request)

“The Department for International Development is the public sector body, a Central Government Department under the Secretary of State for International Development, charged with the formulation and delivery of the UK Government's international aid programme. It carries this out by funding various bodies, including humanitarian aid charities, to undertake the detailed project work and consultancy on the ground in the overseas countries concerned.

“Where DfID (or other Government Department) is funding the carrying out of the overseas aid programme of the UK, HMRC consider there is no supply by the charity undertaking the overseas work for DfID, or procuring that work, because DfID does not receive any benefit that would make it a taxable supply by way of business. The carrying out of these overseas projects and the provision of consultancy services overseas to fulfil the UK's international aid programme is therefore not a taxable supply for VAT purposes and nor is the funding consideration. If the underlying purpose is clearly to fulfil the UK's international aid programme, it does not matter if the benefit is to an overseas Government directly or to overseas communities and institutions, for example the carrying out of an immunisation or healthcare programme on the ground. The important point is that the purpose is to fulfil the UK's international aid obligations. The exact form of the agreement, i.e. whether it is expressed as a contract with measurable deliverables and remuneration does not affect this issue – what matters is the underlying analysis of the position, and its direct connection with the delivery of the UK's overseas aid programme.

“As regards the position where the contract is expressed as being a sub contract with the main contractor, HMRC would accept that if the main contract with the Government Department is not taxable on the above argument, the sub contract to deliver the programme would not be either, provided it was demonstrably a 'back-to-back contract', i.e. like the main contract it was clearly for the delivery of the UK's international aid programme on the ground. On this basis, back-to-back contracts between the humanitarian aid charity and a main contractor of the Government Department, and between such a charity and its own sister charity in the UK, would also be nonbusiness, i.e. they would share the same nonbusiness treatment as the main contract, and it follows that the receipt of the supply in the UK would also be outside the scope of VAT and would not be subject to the reverse charge”.

b. HMRC's internal manual – [VAT Government and Public Bodies at VATGBP9500](#)

Government departments and health authorities: supplies to departments and authorities

Supplies to government departments and health authorities are subject to the normal VAT rules and so are generally treated the same as a supply to any other customer.

There are two specific exceptions to this rule:

.....

- *The Department for International Development (DfID) is the Central Government Department charged with the formulation and delivery of the UK Government's international aid programme. It carries this out by funding various bodies, including humanitarian aid charities, to undertake detailed project work and consultancy on the ground in the overseas countries concerned. Where DfID is funding the carrying out of the overseas aid programme of the UK, the supplies delivered directly to the non-UK recipient are treated as being made to that non-UK recipient and not to DfID. Such supplies are therefore outside the scope of UK VAT. However, this does not include supplies made by third parties to the contractor in order to aid their delivery of the overseas aid package.*

The two pieces of guidance appear to contradict each other with the first pointing to nonbusiness treatment and the second to outside the scope treatment with a right of recovery of attributable input VAT. We understand different organisations interpret the guidance in different ways.

1. **Please comment on how the two pieces of guidance should be interpreted.**
2. **To what extent is the VATGBP9500 guidance only relevant if there is a supply in the first place? The 2013 draft guidance says there is not a supply when you receive a grant from DfID. Does VATGBP9500 therefore have no practical impact?**
3. **Please confirm that the following guidance in 1a) still applies.**

As regards the position where the contract is expressed as being a sub contract with the main contractor, HMRC would accept that if the main contract with the Government Department is not taxable on the above argument, the sub contract to deliver the programme would not be either, provided it was demonstrably a 'back-to-back contract', i.e. like the main contract it was clearly for the delivery of the UK's international aid programme on the ground.

4. **Is there any distinction between the treatment of monies received under the following contractual arrangements:**
 - a. **DfID Accountable Grant Arrangements and**
 - b. **Amounts received under DfID Service contracts?**
5. **Both DfID Accountable Grant Arrangement and DfID Service Contracts can include "payment by results" components. We do not consider that these provisions will impact the VAT analysis. Do you agree?**

II. Tripartite arrangements

6. **To what extent is the case law on tripartite arrangements (eg *Airtours Holidays Transport Limited (Appellant) v Commissioners for Her Majesty's Revenue and Customs* (Respondent) [2016] UKSC 21) relevant given that there can be payments by one party when services are delivered to a third party?**

III. Global Challenges Research Fund (GCRF) funding

GCRF is a £1.5 billion fund announced by the UK Government in late 2015 to support cutting-edge research that addresses the challenges faced by developing countries. GCRF forms part of the UK's Official Development Assistance (ODA) 0.7% commitment, which is monitored by the Organisation for Economic

Cooperation and Development (OECD). The GCRF delivery partners are: UK Research and Innovation, Scottish Funding Council, Higher Education Funding Council for Wales, Higher Education Division Northern Ireland, Academy of Medical Sciences, Royal Society, British Academy, Royal Academy of Engineering and UK Space Agency. Details can be found [here](#).

7. Please advise on the VAT treatment of GCRF funding and whether the guidance set out in 1a) above also applies to GCRF funding.

It is a common feature of GCRF funding that Universities will engage with overseas partners based in a country on the Development Assistance Committee's (DAC) list of ODA recipients. These overseas partners may, or may not be, "eligible bodies".

8. Please confirm that payments to these overseas partners will be treated in accordance with the guidance set out in Revenue & Customs Brief 10/13 (withdrawn) (below) and that the reverse charge should not be applied to any invoices overseas partners submit to Universities for their share of funding.

Where the funding flows through one named party – and they act purely as a conduit passing on the funds to others involved in the research project – the funding remains outside the scope of VAT.

9. Where funds are being passed from a collaborative partner (often a university) to an overseas partner, the university will typically be doing nothing with those funds nor receiving anything in return for them. On this basis, they are simply a 'paymaster' moving money and there is no supply so it should be outside the scope of VAT on basic VAT principles. Therefore, we consider that the answers to questions 7 and 8 above should be the same irrespective of whether the recipient of the initial funding, or the overseas partners, are eligible bodies. Do you agree?

IV. Receipts from other governments and intergovernmental organisations

10. Please advise on the VAT treatment of grant income received from:

- a. Other EU governments (eg Irish Aid received from the Irish Department of Foreign Affairs and Trade).
- b. Other non-EU governments (eg United States Agency for International Development (USAID)).
- c. Intergovernmental organisations (eg United Nations; World Bank; EU – European Civil Protection and Humanitarian Aid Operations (ECHO))

V. Look through

DfID sometimes provides grants, with others, to overseas governments which in turn contract with charities.

11. If the answers in sections I and IV above differ please advise the extent to which it is necessary to "look through" grant arrangements?

12. If DfID, and others provide grants to the World Bank, and the World Bank grants to a particular country, is it also necessary to "look through". If so, does the "look through" go back to the World Bank, or to DfID and others?

VI. Humanitarian Research Funding

13. To what extent can the guidance in Revenue and Customs Brief 10 (2013) (withdrawn) [below] still be relied upon in relation to Humanitarian Research Funding:

Situations where the funding will be outside the scope of VAT include:

- *research which is funded for the 'general public good' and there is no direct benefit for the funding body*
- *research which is funded for the general public good and is either not expected to generate any intellectual property (IP), or if it does then any reports or findings will be freely available to others*
- *where there is a 'collaborative' agreement between different research institutions where all parties to the grant are named on the application*
- *where the funding flows through one named party - and they act purely as a conduit passing on the funds to others involved in the research project - the funding remains outside the scope of VAT.*

**Charity Tax Group
January 2020**

Charity Tax Group

via email

Date 11 March 2020

Humanitarian and associated research funding

Thank you for your briefing note on the above subject, received on 4 February 2020, with specific reference to the VAT treatment of grant funding.

You have suggested a meeting to discuss various points to do with the VAT treatment of grant funding. At this time, we do not believe that a meeting is necessary. This is mainly because we need more information in order to clarify where the issues lie.

You have asked several questions and I will respond to them in order.

I. Department for International Development (DfID) funding

You have referred to two pieces of guidance and suggested they may contradict each other.

The 2013 guide referred to in your brief is about the VAT treatment of funding that DfID provides to charities and similar bodies, and HMRC took the view that DfID funding for overseas aid programmes is not consideration for any supplies to DfID. We accepted that this is also the case where, under a back-to-back arrangement, the funding passes from one aid provider to another. This is similar to the view we took on collaborative research, which was the subject of Revenue & Customs Brief 10/13 (RCB 10/13) and transferred to the still extant VAT Information Sheet 11/13 (VIS 11/13).

However, the guidance in VATGPB9500 is only about the DfID “special arrangement”. The “special arrangement” relates specifically to the situation where DfID funds an overseas government for aid purposes, but it actually holds the money on account for (rather than passing it to) the overseas government. The payments to UK contractors providing aid services are therefore third-party consideration for the contractors’ supplies to the overseas governments. The problem has been that the contractors submit invoices to DfID for payment, which is what the guidance is addressing. “Third party” contractors are not paid from this funding.

Thank you for bringing this to our attention. We will revise the guidance in VATGPB9500 and let you have a draft for comment.

II. Tripartite arrangements

The *Airtours* case, as referred to in your brief, concerned the situation where banks commissioned a report from PWC on Airtours' financial position, but Airtours had to pay PWC. The question was "who did PWC supply its services to?", and the result was that the services were supplied to the banks, with third-party consideration coming from Airtours.

It is certainly possible for contractors to be making supplies to overseas governments, which is paid for by DfID. However, whether that is the case will depend on the arrangements between DfID, the contractor and the overseas government.

III. Global Challenges Research Fund (GCRF) funding

Research supplied between "eligible bodies" used to be exempt from VAT. That exemption proved to be ultra vires and was therefore withdrawn. As a part of that withdrawal process, HMRC looked at whether some supplies of research which had been exempted were, in fact, outside the scope of VAT, being research funded by the government or by charities for the common good. Much of such research is undertaken by the higher education sector.

RCB 10/13 was published to address the situation where several universities collaborate in a research project, and funding is allocated to one university (the lead body) to be shared between the others. We concluded that the lead body is simply a conduit through which funding passes.

Whether this guidance applies to the GCRF will depend on the facts, and we unfortunately do not have specific details. If you feel that the guidance does not answer your questions, please provide a separate, specific paper on the GCRF, explaining what it is about, how it works, and where the VAT problems lie.

IV. Receipts from other governments and intergovernmental organisations

V. Look through

I am afraid that your paper does not provide any details in respect of these two issues, and without specific facts we are not able to provide any comments. Generally, the treatment of each contract will depend upon its own specific facts, and HMRC's grants guidance, in our VATSC manual, should be applied. If there is a genuine doubt about the liability of a contract, the relevant charity should contact their Customer Compliance Manager (if they have one) or HMRC's charities helpdesk.

VI. Humanitarian research funding

The rationale set out in RCB 10/13 and VIS 11/13 can be applied elsewhere if the circumstances are the same: that is, grant funding flowing through one body to bodies collaborating in research for the common good.

Unfortunately, most of your questions can only be answered either through the facts of individual cases, or – in the case of GCRF – through a more detailed description of this source of funding and where you find problems occurring. We wish to be helpful, but in order to assist further we need considerably more information.

Yours sincerely


Senior Policy Advisor

Humanitarian and associated research funding

Thank you for your letter of 11 March which we found very helpful. We have discussed your feedback with our members, but there remains some uncertainty as to what HMRC consider to be the correct VAT treatment in certain scenarios. We have set out our understanding below and we should be grateful if you could confirm or provide further guidance as appropriate.

Follow-up questions

Question 1: Please advise what HMRC considers the correct VAT treatment to be in respect of the treatment of funding from Department for International Development, non-UK governments and intergovernmental organisations. Our understanding of HMRC's position is as follows:

Rule 1: VATSCO6310 etc

HMRC's general guidance should be used to determine whether a payment described as a grant is consideration for a supply or not is to be found at VATSCO6310 etc. Depending on the facts, some grants will be regarded as consideration for a supply, and some will not.

Rule 2: November 2013 guidance

Rule 2 is an exception to Rule 1. Rule 2 provides that no supply will arise where there is a receipt of a grant from DfID. If, on the facts, a grant received from DfID would be viewed as a consideration for a supply under Rule 1, perhaps because amounts are payable under a DfID Service Contract with a payment by results component, Rule 2 will however mean that HMRC consider that no supply arises.

Rule 3: VATSGBP9500 – DfID “special arrangement”

Rule 3 is an exception to the Rule 2 exception. The DfID “special arrangement” applies where there is a tripartite arrangement between DfID, an overseas government (or governments) and a UK contractor under which the UK contractor agrees to provide aid to the overseas government(s) but is paid directly by DfID for doing so. In these circumstances HMRC regard any supply as being made to the overseas government, and not DfID. Grants which under Rule 1 would be considered to give rise to a supply will be regarded as giving rise to supplies to the overseas government will therefore be outside the scope of VAT (but with the right of recovery of attributable VAT).

The CTG working group of charities and universities were not aware of the existence of “special arrangements” and are not aware how the recipient of the funding would be made aware that these arrangements applied to his funding (or to what proportion of his funding). It would appear appropriate for written contracts/agreements to specify that the funding falls under these arrangements by reference to a clear designation. **Can this include a clause stating, for instance: “This contract is deemed to be a special arrangement as defined in VATSGBP9500 of HMRC's VAT Manuals”?**

Rule 4: Grants from other governments and intergovernmental organisations

We remain unclear on the VAT treatment of grants received from, for example, the Irish Department of Foreign Affairs and Trade (Irish Aid), United States Agency for International Development (USAID), UN, World Bank, EU – European Civil Protection and Humanitarian Aid Operations (ECHO) position etc

Consider a hypothetical example where a UK charity receives Irish Aid grant income to fund a COVID-19 relief programme in Yemen. Assume further that under the general Rule 1 the grant income would be viewed as consideration for a supply. It appears to us that there are at least two possible treatments:

1. That the logic underlying Rule 2 would apply equally to grant income received from other governments and intergovernmental organisations. No supply will be considered to have been made.
2. That the Rule 2 exemption only applies to the receipt of grants from DfID but not to receipts from other governments and intergovernmental organisations. As with Rule 3, in all such cases an outside the scope of UK VAT supply (with the right of recovery of attributable VAT) would be considered to have been made by the UK charity to the overseas communities.

Question 2: In respect of Bounce Back Arrangements does the “aid provider” referred to have to be a charity or similar non-profit body? Providing the aid funding is passing via a main contractor to a sub-contractor the charitable/non-profit status of either party should not be relevant providing the beneficiaries are those receiving the international aid on the ground. In our view the funding is still just a pass-through of monies with no supply between any of the parties. It does not make sense for there to be sticking VAT incurred by the intermediary.

Your letter stated: *“The 2013 guide referred to in your brief is about the VAT treatment of funding that DfID provides to charities and similar bodies, and HMRC took the view that DfID funding for overseas aid programmes is not consideration for any supplies to DfID. We accepted that this is also the case where, under a back-to-back arrangement, the funding passes from one aid provider to another.”*

Question 3: Does HMRC accept that the entity delivering the aid on the ground may not have been determined at point of application and contracted later?

Question 4: In accordance with the 2013 CTG DfID guidance and recent HMRC letter, can you confirm that Universities, and other bodies in similar positions, do not need to apply the reverse charge on payments of Global Challenges Research Fund (GCRF) funding to overseas partners/subcontractors providing they are effectively contributing to the delivery of the UK’s international aid program on the ground?

Your letter says: *“Research supplied between “eligible bodies” used to be exempt from VAT. That exemption proved to be ultra vires and was therefore withdrawn. As a part of that withdrawal process, HMRC looked at whether some supplies of research which had been exempted were, in fact, outside the scope of VAT, being research funded by the government or by charities for the common good. Much of such research is undertaken by the higher education sector. RCB 10/13 was published to address the situation where several universities collaborate in a research project, and funding is allocated to one university (the lead body) to be shared between the others. We concluded that the lead body is simply a conduit through which funding passes. Whether this guidance applies to the GCRF will depend on the facts, and we unfortunately do not have specific details. If you feel that the guidance does not answer your questions, please provide a separate, specific paper on the GCRF, explaining what it is about, how it works, and where the VAT problems lie.”*

We have enclosed redacted correspondence from a University which wrote to HMRC for guidance on the VAT treatment of payments to overseas partners receiving a share of GCRF funding. Whilst not channelled via DfID, this funding is part of the ODA/overseas aid budget and we would expect that similar VAT treatment should apply.

As you can see, HMRC looked at this from a research perspective and applied their guidance on collaborative research. The letter says that outside scope treatment is conditional on the recipient being an ‘eligible body’, which would appear incorrect, in that the eligible body definition applies only to whether supplies the body makes are exempt (assuming this refers to the group 6, schedule 9 version of ‘eligible body’). However, we would expect the transfer of international aid funding to overseas partners to be outside the scope under basic VAT principles, following suit with the principles concerning collaborative research, applied where the collaboration conditions are met, but applied to a broader range of activities than research.

Charity Tax Group

via email

Date 1 June 2020

Humanitarian and associated research funding

Thank you for your further request for advice on four questions involving grant funding. This is in response to my letter of 11 March 2020.

1) Please advise what HMRC considers the correct VAT treatment to be in respect of the treatment of funding from Department for International Development, non-UK governments and intergovernmental organisations

First, there is not a series of 'rules' for the treatment of grants; there is one set of indicators as set out in our guidance manual VATSC16300.

Second, the 2013 guidance is not an exception to any rules or indicators. This guidance does not state that where there is a taxable supply, when the grantee is the DfID, it will be turned into a non-taxable supply. Rather, this sets out HMRC's view that, based on the normal indicators for grant funding:

Where DfID (or other Government Department) is funding the carrying out of the overseas aid programme of the UK, HMRC consider there is no supply by the charity undertaking the overseas work for DfID, or procuring that work, because DfID does not receive any benefit that would make it a taxable supply by way of business. The carrying out of these overseas projects and the provision of consultancy services overseas to fulfil the UK's international aid programme is therefore not a taxable supply for VAT purposes and nor is the funding consideration.... it does not matter if the benefit is to an overseas Government directly or to overseas communities and institutions The exact form of the agreement, i.e. whether it is expressed as a contract with measurable deliverables and remuneration does not affect this issue – what matters is the underlying analysis of the position, and its direct connection with the delivery of the UK's overseas aid programme.

However, the guidance in VATGPB9500, regarding the DfID "special arrangement" is not a grants issue at all. This guidance applies only in the specific circumstances previously explained, where DfID is making third-party payments to UK contractors for overseas government aid purposes but holds the money on account. It is agreed that the UK contractor's activities take place outside the EU, even though they are paid for by DfID. DfID and HMRC have agreed that it is only the former department that can determine if the supplies are being made in relation to these specific circumstances, and they will notify a contractor of the situation and the VAT treatment required.

Therefore:

- If grant funding is received from a government department in order to fund the carrying out of the UK's overseas aid programme, HMRC agrees it is a non-business activity and therefore outside the scope of UK VAT;
- If supplies of aid provided to an overseas government are paid for by DfID, under a contract with that overseas government, HMRC agree that these are third party payments that are outside the scope of VAT. DfID will notify contractors if their supplies fall within the parameters of this situation, and what the VAT treatment is;
- Otherwise, any other grant funded supplies must be considered in line with the indicators in VATSC16300

2) In respect of Back to Back Arrangements does the “aid provider” referred to have to be a charity or similar non-profit body?

The second part of the 2013 guidance sets out the non-business treatment of sub-contracts. In our letter of 11 March 2020, we confirmed that the rationale set out in RCB 10/13 and VAT Information Sheet 11/13 (referring to collaborative research) can be applied elsewhere if the circumstances are the same; that is, where grant funding is flowing through one body to other bodies that are collaborating in a contract.

The 2013 guidance refers to overseas aid charities because that is the specific issue the document is addressing. Similarly, paragraph 6 of VAT Information Sheet 11/13 refers to “typically universities or other eligible bodies” involved in collaborative research, because that is the specific issue being addressed in that Information Sheet.

Neither document, however, is prescriptive in who the supplier should be. As set out above, if the circumstances mirror those set out in paragraph 6 of VAT Information Sheet 11/13, where a contract involves grant funding flowing through one body to others, and the arrangements are genuinely non-business, then HMRC accepts that all the services provided by each of the collaborating bodies are outside the scope of VAT.

3) Does HMRC accept that the entity delivering the aid on the ground may not have been determined at point of application and contracted later?

I'm afraid that the question is a little unclear, but I assume that it is a continuation question in respect of collaborative research. As above, if the arrangements are genuinely non-business activities, and the grant funding flows through a lead body to the others involved in the contract, then knowing the identities of the collaborators is not necessary at the time of the application.

For example, a Government department funds some research for the common good. It funds body “A”, but other bodies are also involved. “A” holds the funds and at the start of the research project it is known that bodies “B” and “C” will be involved. Subsequently, some of the research is also undertaken by “D”. The collaborative research principle applies to “D” as much as it applies to “A”, “B” and “C”.

4) In accordance with the 2013 CTG DfID guidance and recent HMRC letter, can you confirm that Universities, and other bodies in similar positions, do not need to apply the reverse charge on payments of Global Challenges Research Fund (GCRF) funding to overseas partners/subcontractors providing they are effectively contributing to the delivery of the UK's international aid program on the ground?

As set out above, I do not believe that RCB 10/13, or indeed VAT Information Sheet 11/13, dictates who the bodies involved in collaborative research should be, for outside the scope treatment to apply.

Taking that point into account, I believe that the funding transferred from the GCRF to overseas partners is outside the scope:

1. The specific aim of the GCRF is to support cutting-edge research and innovation that addresses the global issues affecting developing countries. It does this through collaborative research and growing that research and innovation by supporting programmes with partners in other countries.
2. The GCRF forms a part of the UK's official development assistance (ODA) funding from BEIS and is itself part of the UK's overseas aid programme.
3. As set out in the 2013 guidance, and confirmed above (Question 1), where a government department is funding the carrying out of the UK's overseas aid programme, HMRC considers there to be no supply by the entity undertaking the work, or procuring the work, because the Government department does not receive any benefit that would make it a taxable supply by way of business. I believe this to be the case in this situation.
4. As set out above (Question 2), if the arrangements are genuinely non-business activities, and I believe they are, and the contract involves the funds flowing through a lead body to other collaborative partners, as this situation does, then HMRC accepts that all the services provided by the collaborating bodies are outside the scope of VAT.

Based on the above facts, there is no supply by the entity undertaking the work, or procuring the work, and therefore the funding is outside the scope of UK VAT, it therefore follows that no reverse charge would apply.

I hope the above has addressed your concerns.

Yours sincerely



Senior Policy Advisor