

Foreword

This notice cancels and replaces Notice 701/1 (January 1995). Details of any changes to the previous version can be found in paragraph 1.2 of this notice.

Further help and advice

If you need general advice or more copies of Customs and Excise notices, please ring the **National Advice Service** on **0845 010 9000**. **You can call between 8.00 am and 8.00 pm, Monday to Friday.**

If you have **hearing difficulties**, please ring the **Textphone** service on **0845 000 0200**.

If you would like to speak to someone in **Welsh**, please ring **0845 010 0300**, **between 8.00 am and 6.00 pm, Monday to Friday.**

All calls are charged at the local rate within the UK. Charges may differ for mobile phones.

Other notices on this or related subjects

[700 The Vat guide](#) | [700/1 Should I be registered for VAT?](#) | [700/2 Group or divisional registration](#) | [701/2 Welfare](#) | [701/5 Clubs and associations](#) | [701/6 Charity funded equipment for medical, veterinary etc uses](#) | [701/7 Reliefs for disabled people](#) | [701/10 Zero-rating of books etc](#) | [701/19 Fuel and power](#) | [701/30 Education and vocational training](#) | [700/34 Staff](#) | [701/41 Sponsorship](#) | [701/45 Sport](#); | [701/47 Culture](#) | [701/58 Charity advertising and goods connected with collecting donations](#) | [703 Exports and removals of goods from the United Kingdom](#) | [706 Partial exemption](#) | [708 Buildings and construction](#) | [708/6 Energy-saving materials](#) | [709/1 Catering and take-away food](#) | [709/5 Tour Operator's Margin Scheme](#) | [742 Land and property](#) | [742A Opting to tax land and buildings](#) | [48 Extra-statutory concessions](#) | [317 Imports by charities free of duty and VAT](#) | [998 VAT refund scheme for National museums and galleries](#) | [CCL2 An introduction to climate change levy](#) | [CWL 4 Fund-raising events: exemption for charities and other qualifying bodies](#)

1. Introduction

1.1 What is this notice about?

This notice explains:

- what a charity is;
- how VAT affects charities;
- how a charity's income is treated for VAT purposes; and

- what VAT reliefs a charity can obtain on its purchases whether or not it is registered for VAT.

You will find a glossary of terms used in this notice at section 9.

Because of the diversity of activities undertaken by charities it is not possible to cover every situation within this notice. If you find that the area you are interested in is not covered by this notice please contact our National Advice Service on 0845 010 9000 for assistance.

1.2 What has changed?

The contents of this notice have been totally updated. It has also been restructured and rewritten to improve readability.

You can access details of any changes to this notice since May 2004 either on our Internet website at www.hmce.gov.uk or by telephoning the National Advice Service on 0845 010 9000.

This notice and others mentioned are available both on paper and on our website.

1.3 Who should read this notice?

You should read this notice if you are:

- involved in a charity;
- involved in a business who makes supplies to or has other dealings with charities;
- a fund-raiser for charities; or
- a user of charity services.

1.4 What law covers this notice?

Because of the diversity of activities undertaken by charities it is not possible to list every relevant section of legislation. The areas of legislation offering specific reliefs to charities are as follows:

The Value Added Tax Act 1994 Section 29A reduced-rates goods and services listed in Schedule 7A to the Act:

- the supply to charities of fuel and power in buildings used by charities for non-business purposes is reduced-rated under Group 1 of Schedule 7A; and

- the supply to charities of energy saving materials, and installation of those materials, in a building intended to be used solely for a relevant charitable purpose is reduced-rated under Group 2 of Schedule 7A.

The Value Added Tax Act 1994 Section 30 zero-rates goods and services listed in Schedule 8 to the Act:

- the supply to charities of talking books for the blind and disabled and wireless sets for the blind is zero-rated under Group 4 of Schedule 8;
- the first grant of a major interest in, and the construction of buildings to be used solely for a relevant charitable purpose is zero-rated under Group 5 of Schedule 8;
- the first grant of a major interest in a substantially reconstructed listed building and approved alterations to a listed building used or intended to be used solely for a relevant charitable purpose are zero-rated under Group 6 of Schedule 8;
- the supply to charities of sea rescue equipment and of repair and maintenance to that equipment is zero-rated under Group 8 of Schedule 8;
- the supply to charities of aids for use by the disabled is zero-rated under Group 12 of Schedule 8; and
- the supply of certain goods and services by and to charities or with funds provided by charities is zero-rated under Group 15 of Schedule 8.

The Value Added Tax Act 1994 Section 31 exempts from VAT goods and services listed in Schedule 9 to the Act:

- the supply by a charity of welfare services and the supply of goods and services in connection with spiritual welfare services is exempted from VAT under Group 7 of Schedule 9; and
- fund-raising events held by charities and other qualifying bodies are exempted from VAT under Group 12 of Schedule 9.

2. What is a charity?

2.1 What is a charity?

A body is considered to be a 'charity' if it has charitable status. A non-profit making body does not necessarily have charitable status.

2.2 Proof of charitable status

There is no distinction for VAT purposes between those charities that are registered with the one of the charity regulators and those that are not. However, charities not registered with a regulator who want to claim VAT relief may need to demonstrate to Customs that they have 'charitable status' through recognition of that charitable status by the Inland Revenue.

Most charities in England and Wales are registered with the Charity Commission which confirms their charitable status. However some charities are not required to be registered: some are exempted by statute, such as universities; others are excepted because they are too small. In the case of a charity not registered with the Charity Commission, recognition of charitable status by the Inland Revenue is sufficient proof.

The Office of the Scottish Charities Regulator opened in December 2003. It is anticipated that bodies in Scotland will be required to register with that regulator, and we will accept that such a body has charitable status. In the meantime, recognition of a body's charitable status by the Inland Revenue is sufficient proof.

There is currently no regulatory body for Northern Ireland charities. The Inland Revenue decides whether bodies in Northern Ireland have charitable status.

2.3 Trading subsidiaries

Charity law allows charities to carry out trading activities in the course of carrying out their primary purpose. For example, the provision of residential accommodation by a care charity in return for a payment, or the holding of an art exhibition by a charitable art gallery or museum in return for admission charges. This is called 'primary purpose trading'.

Charities may also wish to use trading activities as a way of raising money. For example, a charity whose primary purpose is providing education may sell Christmas cards and gifts through a catalogue. This is called 'non-primary purpose trading'.

Charity law does not permit charities to carry out non-primary purpose trading in their own right, on a substantial basis. This is because of the general expectation that contributions made to a charity will be used for its primary purpose or invested prudently, rather than being risked in trading activities simply to raise money.

In order to carry out non-primary purpose trading on a significant scale, charities have to establish 'subsidiary trading companies'. These are trading companies controlled by one or more charities but are not themselves charities.

Most of the VAT reliefs available to charities are **not** available to subsidiary trading companies.

If a charity and its trading subsidiaries are VAT registered it may be possible, under certain conditions, for them to register as a VAT group. Please see Notice 700/2 Group and divisional registration for more information.

2.4 Are you still uncertain?

If you are still uncertain of your position, you can contact the:

- Charity Commission on **0870 333 0123** or on their [Internet website](#);
- Office of the Scottish Charities Regulator on their [Internet website](#); or
- Inland Revenue on **0845 302 0203** or on their [Internet website](#).

3. Implications of VAT for charities

3.1 What is VAT?

VAT is a tax on consumer expenditure. It is collected on business transactions, imports and acquisitions.

3.2 Who needs to register for VAT?

Any business (and this may include a charity or its trading subsidiary) that makes taxable sales in excess of a set figure (known as the VAT registration threshold) must register for VAT. Taxable sales are business transactions that are liable to VAT at the standard, reduced or zero rate. Guidance on whether something is a business transaction can be found in section 4. Many charities make taxable sales and if their level of income from those sales exceeds the VAT registration threshold they will need to register for VAT. This is not optional and there are penalties if you fail to register on time. You can find details of the current VAT registration threshold on our website at www.hmce.gov.uk or by contacting our National Advice Service on 0845 010 9000.

Charities whose business activities take place wholly outside the UK, can register for VAT if those activities would be taxable were they to take place in the UK.

If a charity's income from taxable sales is below the VAT registration threshold they can register for VAT voluntarily. But if a charity's income from taxable sales is below the threshold, and they do not want to register for VAT, the charity does not need to charge VAT on any of its income. The charity should check regularly that it is not exceeding the VAT registration threshold.

However a charity that makes no taxable sales (either because the charity has no business activities or because their sales or income are exempt from VAT) cannot register for VAT.

For more information on VAT registration please see Notice 700/1 Should I be registered for VAT?

3.3 How does VAT affect charities?

VAT affects charities in a number of ways:

- charities receive income from a variety of sources, some of which may be liable to VAT if the charity is VAT registered;
- charities will be able to claim relief from VAT on some of the goods and services they buy, regardless of whether the charity is registered for VAT;
- many of the goods and services that charities buy will be subject to VAT, regardless of whether the charity is registered for VAT; and
- charities that are VAT registered may be able to reclaim some of the VAT they are charged from Customs.

3.4 When will VAT be charged?

Goods and services are divided into different categories, which determine whether VAT will be charged:

3.4.1 Outside the scope

Certain activities carried out by charities are not covered by the VAT system and are not subject to VAT. A typical example of outside the scope income is a freely given donation where the donor receives nothing in return for their money. A typical example of an outside the scope expense is payment of employees' wages.

3.4.2 Taxable

These are goods and services that are standard-rated, reduced-rated or zero-rated when sold by a business (which could include a charity) that is registered for VAT:

- the standard rate (currently 17.5%) is charged on most goods and services;
- the reduced rate (currently 5%) is charged on goods and services listed in Schedule 7A to the VAT Act. Examples include children's car seats and domestic fuel and power; and
- the zero rate (nil) applies to goods and services listed in Schedule 8 to the VAT Act. Examples include food, books and passenger transport.

3.4.3 Exempt

Some goods and services are exempt from VAT when sold by a business (which could include a charity). This means that no VAT is payable - but, equally, the organisation making the supply cannot normally reclaim any of the VAT on the related expenses (please see paragraph 3.7.3 for more information).

Goods and services that are exempt from VAT are listed in

Schedule 9 to the VAT Act. Examples include insurance and health care.

3.5 What VAT do charities have to charge?

A VAT registered charity must charge VAT on all the standard-rated and reduced-rated goods and services they sell. The charity does not charge VAT on any income from non-business, zero-rated or exempt sales. The treatment for VAT purposes of a number of activities commonly carried out by charities can be found in section 5.

3.6 What VAT does a charity have to pay?

A charity will pay VAT on all standard-rated or reduced-rated goods and services they buy from VAT registered businesses.

VAT registered businesses can sell certain goods and services to charities at the reduced-rate or zero-rate. Please see section 6 for more information.

3.7 What VAT can a charity reclaim?

A charity needs to consider the VAT on its expenses in three stages.

3.7.1 Stage one - non-business (outside the scope)

A charity **cannot** reclaim **any** VAT it is charged on purchases that directly relate to non-business (outside the scope) activities. Section 4 gives further advice on how to decide if a charity's activities are non-business.

Once a VAT registered charity has decided which of its activities are non-business it will also have to consider how much of the VAT on its general expenses (such as phone and electricity) relate to those activities. The charity will **not** be able to reclaim the proportion of VAT that relates to non-business activities. There are a number of methods a charity can use to calculate this proportion. Some methods are detailed in Notice 700 The VAT guide. VAT that the charity establishes as relating to its business activities is input tax.

3.7.2 Stage two - taxable sales

A VAT registered charity can reclaim all the input tax it is charged on purchases which directly relate to taxable goods or services it sells.

A charity that is not VAT registered will not be able to recover the VAT it is charged on standard-rated or reduced-rated goods it buys from VAT registered businesses.

3.7.3 Stage three - exempt

A VAT registered charity is not able to reclaim the input tax it has been charged on purchases that relate to exempt activities **unless** these are below a set level (known as the de minimis limit).

In order to determine whether a charity is below the de minimis limit in any VAT accounting period or tax year it needs to:	
1	Calculate the input tax that directly relates to exempt activities
2	Calculate the proportion of input tax on general expenses (after adjustment for non-business activities), such as phone and electricity, that relates to exempt activities
3	Add up the input tax at step 1 and 2

If the total input tax at step 3 is below the de minimis limit, then the charity can reclaim all the VAT. For details of the current de minimis limit and further information on how to calculate the proportion of VAT reclaimable please see Notice 706 Partial exemption.

3.8 Accounting for VAT

At set intervals, normally every 3 months, a VAT registered charity will complete a VAT return. This details the VAT the charity has charged on sales of standard-rated and reduced-rated goods and services, and the VAT it has paid on goods and services it has purchased that relate to taxable sales. If the VAT on the charity's sales is more than the VAT on its purchases the charity must pay the excess to Customs. However, if the VAT on the purchases is more than the VAT due on the sales the charity can reclaim the difference from Customs.

There are a number of different accounting schemes available for VAT registered businesses including monthly accounting, cash accounting and annual accounting. For more information on the options available please contact our National Advice Service on 0845 010 9000.

If a charity and its trading subsidiaries are VAT registered it may be possible, under certain conditions, for them to register as a VAT group. Please see Notice 700/2 Group and divisional registration for more information.

4. Deciding whether your activities are business or non-business

Although charities may not be deemed to have any business activities under other laws, the definition of business for VAT purposes is governed by specific rules and regulations. These rules and regulations are based on European Community VAT law, as well as UK VAT law, and the findings of many VAT Tribunal and High Court decisions. This means that even though an activity may be performed for the benefit of the community or in the furtherance of charitable aims and objectives, it may still be deemed a business activity for the purposes of VAT.

4.1 Business test

An organisation that is run on a not-for-profit basis may still be regarded as carrying on a business activity for VAT purposes.

The normal questions which need to be considered when determining whether an activity is business for VAT purposes or not are:

- is the activity a serious undertaking earnestly pursued? (This considers whether the activity is carried on for business or daily work rather than pleasure or daily enjoyment.)
- is the activity an occupation or function which is actively pursued with reasonable or recognisable continuity? (When considering this test you should consider how frequently the supplies will be made.)
- does the activity have a certain measure of substance in terms of the quarterly or annual value of taxable supplies made?
- is the activity conducted in a regular manner and on sound and recognised business principles?
- is the activity predominately concerned with the making of taxable supplies for a consideration?
- are the taxable supplies that are being made of a kind which, subject to differences of detail, are commonly made by those who seek to profit from them?

When considering these questions please remember that exempt supplies as well as taxable supplies are business.

These questions do not form a checklist: a business activity may have some but not all of the features indicated. Instead they should be seen as a set of tools designed to help you compare an activity you are uncertain about with features of activities that are clearly business. They are derived from tribunal cases where business status has been disputed and have general application in deciding when an activity is in the course of business. An area of particular difficulty for charities when considering whether their activities are in the course of business is receipt of grant funding. Further information on grant funding can be found in paragraph 5.10.

The activity may still be business if the amount charged does no more than cover the cost to the charity of making the supply or where the charge is less than cost. (However, please see paragraph 5.18.2 if the charity makes supplies of welfare.) If the charity makes no charge at all the activity is unlikely to be considered business.

If you need help in deciding whether an activity is business you should contact our National Advice Service on 0845 010 9000.

5. VAT treatment of income received by charities

This section explains the VAT treatment of the most common income producing activities undertaken by charities. This list is not exhaustive. If the activity that you are contemplating does not appear below, you will first need to determine whether or not it is a business activity – see paragraph 4.1.

Business activities in the UK can be assumed to be taxable at the standard rate unless specifically reduced-rated, zero-rated or exempted from VAT in law. For more information see Notice 700 The VAT Guide.

If you have concerns as to the correct liability of the activity, you should contact our National Advice Service on 0845 010 9000.

5.1 Admission to premises

Some charities admit visitors to places of interest such as historical monuments, gardens, exhibitions, concerts etc. Where this is done for a charge it is a business activity.

5.1.1 How should charities treat income received from fixed admission charges?

If the charity is registered for VAT then they must account for VAT on this income at the standard rate. However, there are two exceptions:

- (a) if the income received is for admittance to a fund-raising event, then the income is exempt from VAT (see paragraph 5.9 and leaflet CWL4 Fund-raising events: exemption for charities and other qualifying bodies).

(b) if the income received is covered by the exemption for admission to cultural events. Charities may be able to treat admission to museums, galleries, art exhibitions, zoos and theatrical, musical or choreographic performances as exempt from VAT. Further information on the conditions for the cultural exemption can be found in Notice 701/47 Culture.

5.1.2 How should charities treat requested donations in return for admission?

In order for a donation to be outside the scope of VAT it should be freely given, with nothing received in return. If admission to the premises is conditional upon payment, the monies received are not donations and VAT must be accounted for at the standard rate. But if admission to the premises is not dependant on a payment then the monies received are donations and are outside the scope of VAT. A charity which "suggests" an amount that visitors may wish to contribute, but does not insist on payment of that amount before allowing admission can treat the amounts received as donations. (But see paragraph 5.9 and leaflet CWL4 Fund-raising events: exemption for charities and other qualifying bodies if admission is to a fund-raising event).

5.1.3 What if the charity makes no charge for admission?

If a charge is not made then there is no business activity and any monies received can be treated as a donation and outside the scope of VAT (but see paragraph 5.12 if the charity is a museum or gallery).

5.2 Advertising services

Charities sometimes sell advertising space in their own brochures, programmes, annual reports or similar. The sale of such advertising space is a business activity and is normally standard-rated (the sale of such space can be zero-rated if supplied to another charity – see paragraph 6.1.1).

However, if **50 per cent or more** of the total adverts in a publication are clearly placed by private individuals the charity can treat **all** the sums received as donations and outside the scope of VAT.

5.2.1 What is a private advertisement?

A private advertisement makes no reference to a business. An example of a private advertisement is one that says 'Good wishes from (or 'space donated by') John and Susan Smith'; but not those with otherwise similar wording taken out by say, 'John and Susan Smith, Grocers, 49 High Street, Anytown'.

5.2.2 Fund-raising events

The sale of advertising space in brochures or programmes for a fund-raising event is exempt from VAT. However, the sale of such space to another charity can be zero-rated. See leaflet CWL 4 Fund-raising events: exemption for charities and other qualifying bodies.

5.3 Affinity credit cards

A charity may receive payments from a bank, building society or other financial institution in return for the charity endorsing that institution's credit card and recommending its use to the charity's members or supporters. This is a business activity and the payments would normally be treated as standard-rated as being in return for marketing services provided to the financial institution.

However, we recognise that a large element of these payments could be a contribution towards charitable funds and not payment for services rendered so we allow charities to treat part of these payments as standard-rated and the remainder as outside the scope of VAT. For more information see section 8.

5.3.1 What if the charity provides more than marketing services and actually acts as an intermediary?

A charity will be acting as an intermediary in arranging a contract between its members and a credit card provider where it:

- stands between the parties to a contract in the performance of a distinct act of negotiation, without having any interest of its own in the terms of the contract;
- brings the two parties to the contract together; and
- undertakes preparatory work, such as completing or assisting with completion of application forms, forwarding forms to the credit card company, and making representations on behalf of either party.

We do not see clerical tasks, such as providing a list of names or access to a database as intermediary services. If a charity is providing intermediary services the payment they receive from the credit card provider is exempt from VAT.

5.4 Ambulance services

5.4.1 What is the liability of ambulance services?

The supply of transport services for sick or injured persons is exempt from VAT, subject to the following conditions:

- the passengers being transported must be sick or injured;
- the transport must form part of a journey to or from a place of medical treatment; and
- the vehicle in which the person is transported must be 'specially designed' for the purpose of providing such transport.

5.4.2 What is 'specially designed'?

To qualify as 'specially designed', a vehicle must have the facility to secure a recumbent person on a stretcher or be fitted with a ramp or a lift, and clamps sufficient to enable a person in a wheelchair to be safely wheeled on, transported in, and wheeled off the vehicle. The term 'specially designed' is not restricted to road vehicles, and can apply in principle to helicopter air ambulances and other forms of rescue transport. Neither is the term restricted to emergency vehicles.

Charities providing ambulance services are also entitled to relief from VAT on the purchase of a 'specially designed' vehicle, the adaptation of a vehicle to a 'specially designed' vehicle and the repair and maintenance of such a vehicle. For more information, see Notice 701/6 Charity funded equipment for medical, veterinary etc uses.

5.4.3 What if the charity provides transport other than in an ambulance?

Passenger transport in vehicles not 'specially designed' such as cars, minibuses etc is normally standard-rated. However, passenger transport in vehicles designed to carry **not less than 10 people** may qualify for zero-rating (see Notice 744A Passenger transport for more information).

5.5 Charity shops and sales of goods

The sale of donated and bought-in goods by charities and their trading subsidiaries is a business activity. The VAT treatment of the income from these sales depends upon the circumstances and the nature of the goods.

5.5.1 How do charities treat income received from the sale or hire of donated goods?

The sale, hire or export of donated goods by a charity or its trading subsidiary (where that subsidiary distributes its profits to the parent charity) is zero-rated. Zero-rating is subject to the following conditions:

- the goods must have been donated to the charity or trading subsidiary; and
- the goods must be made available to the general public, or to two or more persons who are disabled and/or receiving certain means tested benefits.

Please note that certain goods, such as second-hand toys and electrical equipment, which are prevented under safety legislation from being sold to the general public, will still qualify for zero-rating when sold to scrap merchants, as would the sale of scrap clothing to rag merchants.

Zero-rating will **not** apply if:

- the sale, hire or export of the goods is made as a result of any arrangement between the donor, the charity, the trading subsidiary or the purchaser prior to the goods being made available to the public; or

- the goods are used for any other purpose after donation other than being available for sale, hire or export to the general public. So, for example, items of office furniture donated for sale but which are first used by the charity in its offices will not qualify for zero-rating.

5.5.2 What if the charity sells donated goods at a fund-raising event?

If a charity sells donated goods at a qualifying fund-raising event, for example by auction, then the income is zero-rated. Please see paragraph 5.9 and leaflet CWL4 Fund-raising events: exemption for charities and other qualifying bodies.

5.5.3 What if the charity buys in goods to sell?

If a charity buys in goods to sell on it will have to account for VAT at the standard rate on the sale of them, unless they are goods that are zero-rated by statute such as children's clothes, books etc. For more information on zero-rated goods please contact our National Advice Service on 0845 010 9000 or refer to Notice 700 The VAT Guide.

Bought-in goods sold at qualifying fund-raising events are exempt from VAT, please see paragraph 5.9 and leaflet CWL4 Fund-raising events: exemption for charities and other qualifying bodies.

Remember, the charity's entitlement to reclaim the VAT it has been charged on the purchase of the goods will be affected if it sells them exempt from VAT.

5.5.4 How do VAT registered businesses treat goods donated to a charity for sale?

A VAT registered business can zero-rate the donation of goods to a charity or its trading subsidiary provided that the goods are to be offered for sale.

5.6 Catering

Catering is a business activity, normally liable to VAT at the standard rate. Please see Notice 709/1 Catering and take-away food for more information. However some catering can be exempt from VAT when carried on by a charity. For example, catering supplied as part of welfare services (see paragraph 5.18), such as meals for residents of care homes, and supplies of food and drink (but not alcohol) from trolleys, canteens and shops to patients in hospitals or inmates in prisons.

5.6.1 Catering provided as part of a fund-raising event.

Where catering is provided as part of a fund-raising event (see paragraph 5.9 and leaflet CWL 4 Fund-raising events: exemption for charities and other qualifying bodies, the proceeds are exempt from VAT.

5.7 Education, research and training

Charities that supply education, research or training should read Notice 701/30 Education and vocational training for more information.

5.8 Free export of goods

The supply of goods from the UK to a place outside the EC free of charge (usually in the form of relief-aid) is a business activity and is taxable at the zero rate. This enables charities that export aid to register for VAT and reclaim any input tax that they are charged on obtaining and exporting the goods.

5.9 Fund-raising

Fund-raising can take a number of forms; from the soliciting of donations and sponsorship to a wide range of business activities, some of which already appear in this section. Set out below are some of the most common ways of raising funds. If you are uncertain as to the VAT implications of any fund-raising scheme that you are planning, please contact our National Advice Service on 0845 010 9000.

5.9.1 Donations

A donation is outside the scope of VAT provided that it is freely given, with nothing supplied in return. VAT will not have to be accounted for on any monies received.

5.9.2 Fund-raising events that qualify for exemption

Events clearly organised and promoted primarily to raise money for the benefit of the charity are exempt from VAT, subject to certain conditions. The exemption covers admission fees for the event and any other income generated at the event e.g. sale of commemorative items, food etc.

Only certain types of event are eligible and these events are restricted to 15 events of the same kind in a financial year at any one location by the charity.

The exemption does not extend to the normal trading activities of the charity nor to income generated after the event e.g. the sale of surplus commemorative items or the sale of video and audio recordings of the event after the event has taken place.

The exemption does not extend to certain 'charity challenge events' (see paragraph 5.9.4).

More information on the fund-raising exemption can be found in leaflet CWL4 Fund-raising events: exemption for charities and other qualifying bodies.

5.9.3 Sponsored events in the UK

Many charities organise walks, runs, swims and other similar sponsored events or arrange for teams of representatives to participate in these events in order to raise funds.

If a charity is organising and promoting the event it may be able to take advantage of the fund-raising exemption. More information on the fund-raising exemption can be found in leaflet CWL4 Fund-raising events: exemption for charities and other qualifying bodies.

Sometimes a charity may be able to organise an exempt fund-raising event in association with a different event (which may or may not be an exempt fund-raising event in its own right). An example might be a national sporting event where the charity plans to have a marquee and hold an auction of sporting memorabilia. The charity can use the fund-raising exemption as long as the event it is organising meets the conditions set out in Notice CWL4 Fund-raising events: exemption for charities and other eligible bodies.

However, many events that individuals take part in to raise funds for charity will not fall within the fund-raising exemption, for example a commercially organised sports event such as a marathon or triathlon. Charities need to carefully consider the VAT implications of the income they receive from such events.

In many cases the charity will pay for places within a commercially organised event, and then offer those places to individuals. Where a charity allows individuals to take part in the event regardless of the amount they raise, and the individuals do not receive any benefits in return, the monies they raise can be treated as a donation and outside the scope of VAT.

We do **not** consider the following to be benefits:

- provision of free training and health advice;
- a free t-shirt, running vest or similar that clearly portrays the charity the individual is taking part on behalf of;
- free massages and support for physical well-being during the event;
- free pre-event meeting, which may include free professional advice or support, a simple meal, energy drinks and encouragement from the charity and other participants; and
- free post-event meeting, which may include medical treatment or advice, changing facilities, light refreshments and gives the charity the opportunity to thank participants.

Provision of free travel or accommodation and other benefits or 'gifts', such as bikes or watches are benefits. If a charity provides such benefits the amount raised by the participant will be taxable at the standard rate.

Some charities require individuals to pay a registration fee or insist that they raise a minimum amount of sponsorship before they can take part in the event. This is effectively an entry fee and is taxable at the standard rate. Any payment in excess of the minimum amount can be treated as a donation and outside the scope of VAT. Where this situation occurs the charity will be entitled to reclaim some of the VAT it incurs on its expenses.

If a charity asks individuals to 'pledge' or 'commit' to raise a certain amount of sponsorship, but do not insist on any payment before allowing the individual to take part in the event, the total amounts raised can be treated as donations and outside the scope of VAT. A charity can encourage individuals to pass on sponsorship money as they receive it, but cannot insist on receiving a certain amount before allowing the individual to take part.

Some charities offer prizes to top fund-raisers. These are not benefits for VAT purposes and does not affect the VAT treatment of income from participants.

5.9.4 Charity challenge events

Many charities organise treks, bike rides and other sponsored events in order to raise funds. These are usually arranged to include travel and accommodation and are often known as 'charity challenge events'.

Fund-raising events that include both travel and accommodation and events that include more than two nights accommodation do not qualify for fund-raising exemption. The provision of travel and accommodation is likely to bring the event within the Tour Operator's Margin Scheme (TOMS). Detailed advice on the TOMS can be found in Notice 709/5 Tour Operator's Margin Scheme.

5.9.5 Sponsorship of a charity

Many charities receive money, goods or services from sponsors. Where the charity is obliged to provide the sponsor with a significant benefit in return the sponsorship is a business activity and is taxable at the standard rate. However, if no significant benefits are provided the charity may be able to treat the income as non-business. We accept that giving a flag or sticker to a donor, or naming a donor in a list of supporters is insignificant. For more information please see Notice 701/41 Sponsorship. Small charities should remember that income from taxable sponsorship could put them over the VAT registration limit.

5.10 Grant funding

Charities often receive funding to support their charitable activities. If funding is freely given, with nothing supplied in return, then no VAT is due as the funding is not consideration for any supply and therefore is outside the scope of VAT.

However, some funding may be given in return for goods or services supplied by the charity. Such funding is consideration for a supply and VAT may be due on the income if the goods and/or services supplied by the charity in return are taxable at either the standard or reduced rate.

Often funding is given subject to the provisions of a contract or agreement, the terms of which may be indicative of the nature of the funding.

However, it is important to note that many such contracts or agreements are drawn up purely to ensure that the funds are used for the intended purpose. It is important not to confuse 'good housekeeping' with supplies of goods or services. Attaching conditions or safeguards to the payment of grants to ensure that the money is spent correctly does not turn it into consideration for a supply. Please remember that a contract or agreement can be oral as well as written.

Additionally, certain 'benefits' to the funder, for example copies of reports, may arise as a result of necessary safeguards to ensure the money is spent correctly and that the end product is put to proper use. Usually where these are incidental to the primary purpose of the project and are minimal in relation to the amount of funding, the funding is not seen as consideration for a supply.

5.10.1 How does a charity decide whether funding is consideration for a supply?

To decide whether funding is consideration for a supply a charity must ask itself the following questions:

- does the donor receive anything in return for the funding?
- if the donor does not benefit, does a third party benefit instead? And if so, is there a direct link between the money paid by the funder and the supply received by the third party? (See example below.)
- are any conditions attached to the funding, which go beyond the requirement to account for the funds (commonly referred to as 'good housekeeping')?

If the answer to one of the questions is 'yes' it indicates that the funding may not be freely given and may be consideration for a supply.

The following example may help to illustrate the difference between 'grant funding' which falls outside the scope of VAT and 'third party funding' which is payment by one party on behalf of someone else and is subject to VAT.

A Citizens Advice Bureau (CAB) provided free legal, and other, advice. It received grant funding from, amongst others, the local authority. The local authority, as a condition of grant funding, required a service level agreement to be entered into by the CAB, detailing opening times, levels of service etc. On this basis the CAB viewed the funding, and linked agreement, to be consideration for a taxable supply of services to the local authority.

On appeal to the VAT tribunal it was found that there was nothing in the service level agreement to support the CAB's view. In the Tribunal's view, although strings were attached to the grant given by the local authority, that in itself did not create a supply. This was because the local authority did not derive any direct benefit from the advice given. Its only benefit was the indirect knowledge that it had helped fund a service that might be of benefit to its citizens. The strings attached to the grant funding were simply good housekeeping measures by the local authority. The only supplies made were to the local citizens and, as these were mainly free of charge, there was no supply for VAT purposes.

The only exception is where legal advice is given by a CAB to a citizen who qualifies for legal aid. In such cases the legal advice given is subject to VAT. This is because the CAB has received specific payment, from a third party, for specific advice given to a citizen.

If you need help deciding whether a charity is making a supply, or on the VAT liability of a supply, please contact our National Advice Service on 0845 010 9000.

5.10.2 Does the use of the funding have any VAT implications?

Where a charity is supported by outside the scope funding, this does not determine the nature of any supplies it makes. In other words, it does not follow that outside the scope income means that the charity will only have non-business activities.

A charity needs to ask itself what activities it will be spending the funding on and whether those activities are business for the purposes of VAT. Please see section 4 for more guidance on business. If you need help deciding whether you are in business please contact our National Advice Service on 0845 010 9000.

5.11 Hiring out buildings, including village halls

The hiring out of a building for a fee is normally a business activity and the fees received are normally exempt from VAT. However, if a charity (as landlord) has opted to tax the building it must treat the fees received as standard-rated. But, if the person hiring the building (or part of a building) from the charity is:

- intending to use it as a dwelling (such as a residential flat above a charity shop);
- another charity who intends to use it for a relevant charitable purpose (for use as a village hall or similarly, or for a non-business purpose); or
- intending to use it for a relevant residential purpose (such as a residential home for children or disabled people, or a hospice),

the option to tax will generally not apply.

Where the hire of the building (or part of a building) is incidental to the provision of facilities, such as the hiring of facilities for playing sport, the supply will normally be standard-rated. (However, where rooms are hired as facilities for playing sport for a period exceeding 24 hours or for a series of 10 or more sessions the supply may be exempt, subject to certain conditions.)

Please see Notices 742 Land and Property and 742A Opting to tax land and buildings for more information. If you are hiring out a building we suggest you contact our National Advice Service on 0845010 9000 for advice on the liability of your supply.

5.12 Museums and galleries

Admission to a museum or gallery for no charge is a non-business activity. Normally this means that no input tax can be reclaimed. This paragraph explains special rules for some museums and galleries. If the charity makes an admission charge please read paragraph 5.1.

5.12.1 When can a museum or gallery offering free admission reclaim VAT?

Free access to a museum or gallery is a non-business activity, and any VAT on goods and services purchased in respect of this activity is normally irrecoverable. However, in certain circumstances the government will reimburse this otherwise irrecoverable VAT. For this to be the case, the provisions of section 33A of the VAT Act 1994 must apply, and the museum or gallery must be named in an order made by HM Treasury.

The museum or gallery may have other business activities, for example catering and the sale of books and postcards, for which normal VAT recovery rules will apply.

For full details of this scheme please refer to Notice 998 VAT refund scheme for National museums and galleries.

5.13 Membership

The provision of membership benefits to members of a club or association is a business activity. The VAT liability of a membership subscription will depend on the benefits being supplied.

In most cases a package of benefits is supplied and the provider has to decide, on the basis of guidance contained in VAT Information Sheet 2/01 (July 2001) Single or Multiple supplies- How to Decide whether he is making a single or multiple supply. If there is one principal benefit, to which all of the other benefits are incidental, the whole subscription is treated as a single supply and the VAT liability will follow that of the principal benefit. For example, if the principle benefit offered by a theatre club to its members is free theatre tickets, and other benefits, such as the right to receive copies of advertising literature, are incidental, then the theatre club would treat the subscription as a single supply of the right of admission. This would either be taxable at the standard rate or exempt if the provider was entitled to exempt its admission charges under the cultural exemption (see paragraph 5.1).

However, as a concession, charities and non-profit making organisations can treat their single supplies of membership benefits as multiple supplies. This means that the VAT treatment of each benefit can be considered individually and the subscription charge apportioned. This means that the supply of magazines or handbooks to members can normally be zero-rated. For more information see Notice 701/5 Clubs and Associations and Notice 701/10 Zero-rating of books etc.

5.14 Patron and supporter schemes

Many cultural organisations operate patron or supporter schemes, which offer benefits in return for a minimum payment. Benefits may include free admission to special exhibitions, the right to receive regular publications, discounts on shop purchases etc. The minimum payment is business income and is standard-rated. However, if one of the benefits to patrons or supporters is the right to receive publications you may be able to treat part of the payment as zero-rated. Please see VAT Information Sheet 2/01 (July 2001) Single or Multiple Supplies – How to Decide.

If a patron or supporter pays more than the minimum amount you can treat the excess as a donation and outside the scope of VAT as long as the patron or supporter is aware that scheme benefits are available for a given amount, and that anything in excess of that amount is a voluntary donation. This should be explicit in the patron or supporter scheme literature.

5.15 Sea rescue

The supply of sea rescue services for no charge is a non-business activity.

5.16 Sports membership and sporting events

The provision of certain kinds of membership to sports clubs and associations, and admission to some sporting events, by certain non-profit making organisations is a business activity, but is exempt from VAT.

Please see Notice 701/45 Sport and leaflet CWL4 Fund-raising events: exemption for charities and other qualifying bodies.

5.17 Supplies of staff between charities

Income received for the supply of staff is a business activity and is normally taxable at the standard-rate. However, if staff are jointly employed there is no supply of staff for VAT purposes. Staff are regarded as jointly employed if their contracts of employment or letters of appointment make it clear that they have more than one employer and who the employers are. Please see Notice 700/34 Staff for more information.

In some circumstances the income from the hire or loan of staff from one charity or voluntary organisation to another can be treated as non-business and outside the scope of VAT. This is subject to the following conditions:

- the employee has been engaged only in the non-business activities of the lending charity/organisation and is being seconded to assist in the non-business activities of the borrowing charity/organisation; and
- the payment for the supply of the employee's services does not exceed the employee's normal remuneration.

A 'voluntary organisation' is a body who operates otherwise than for profit, but does not include any public or local authority. 'Normal remuneration' means the total costs incurred by the lending charity/organisation in employing the member of staff including National Insurance and pension scheme contributions etc.

5.18 Welfare

Welfare services provided by charities, public bodies and state-regulated private welfare institutions or agencies are normally seen as business and are exempt from VAT (but please see paragraph 5.18.2). You can find more information in Notice 701/2 Welfare.

5.18.1 What are welfare services?

In brief, welfare services cover the following supplies:

- care, treatment or instruction designed to promote physical or mental welfare of elderly, sick, distressed or disabled people;
- care and protection of children or young people; and
- spiritual welfare provided by a religious institution as part of a course of instruction or a retreat, not being designed primarily to provide recreation or a holiday.

Please see Notice 701/2 Welfare for more information.

5.18.2 What welfare services can be treated as non-business?

Charities that provide welfare services at significantly below cost, to distressed persons for the relief of their distress, may treat these supplies as non-business and outside the scope of VAT.

'Significantly below cost' means subsidised by at least 15%, and the subsidy must be available to everyone. The charity must be providing the service to the distressed individual, and not a local authority.

By 'distressed' we mean someone who is suffering pain, grief, anguish, severe poverty etc.

An example of a non-business welfare service would be a night shelter for the homeless where a nominal charge of £1 per bed per night is made by the charity. However, the cost to the charity of providing the shelter might be £10 per bed per night.

6. VAT reliefs charities can obtain on their purchases

Certain goods and services are zero-rated or reduced-rated when purchased by charities, regardless of whether the charities are registered for VAT or not.

For each of these reliefs specific conditions have to be met. Charities wishing to take advantage of these reliefs **must** provide their suppliers with eligibility declarations certifying that the conditions have been met for that relief. Please see paragraph 6.2 for more information on eligibility declarations.

6.1 VAT reliefs available

6.1.1 Advertising and goods connected with collecting donations

The supply of advertising to a charity is zero-rated. The zero-rating covers advertisements on any subject, including staff recruitment. A charity can also purchase pre-printed collecting boxes, envelopes and appeal letters at the zero rate. Low cost lapel stickers, emblems and badges that a charity gives in acknowledgement of a donation can also be zero-rated. More information can be found in Notice 701/58 Charity advertising and goods connected with collecting donations.

If a printer produces a package of printed material for a charity, some of which is zero-rated and some of which is standard-rated, the printer may be able to zero rate the entire package. This is known as the package test. More information on the package test can be found in Notice 701/10 Zero-rating of books etc.

6.1.2 Aids for the disabled

Supplies to charities of certain goods and services which the charities make available to disabled people for their personal or domestic use are zero-rated.

More information can be found in Notice 701/7 Reliefs for disabled people and Notice 701/59 Motor vehicles for disabled people.

6.1.3 Construction

The construction of buildings, and certain works to protected buildings, intended to be used for solely non-business purposes or as a village hall or similar can be zero rated subject to certain criteria being met. More information can be found in Notice 708 Buildings and construction.

In certain circumstances a charity can also benefit from zero-rating for the construction of a ramp, widening a doorway or passage, or providing, extending or adapting a washroom or lavatory. For more information see Notice 701/7 Reliefs for disabled people.

The construction reliefs are complex and we recommend that charities contact our National Advice Service on 0845 010 9000 to check entitlement to zero-rating before commencing a project.

6.1.4 Drugs and chemicals

A charity engaged in medical or veterinary research can purchase substances directly used for testing, or for mixing with other substances in the course of that research, at the zero rate.

A 'substance' can be natural or artificial, and can be in solid or liquid form or in the form of a gas or vapour. If the substance is purchased in the form of gas the zero-rating will also apply to the cylinder rental.

6.1.5 Energy-saving materials

The installation of energy-saving materials, such as central heating and insulation, in residential accommodation or in a building used solely for relevant charitable purposes (which means used for non-business purposes or as a village hall or similarly) is liable to VAT at the reduced-rate. See Notice 708/6 Energy-saving materials for details.

6.1.6 Equipment for producing 'talking' books and newspapers

Charities and voluntary bodies caring for the blind and the severely visually impaired can obtain zero-rating for purchases of sound recording and reproduction equipment (or parts and accessories for such equipment) that has been designed or specially adapted for recording or reproducing speech for the benefit of such persons. In the case of reproduction equipment, zero-rating will not apply where the equipment is available for use by anyone other than the blind or severely visually impaired. The zero-rating also covers radios and cassette recorders purchased by charities for free loan to the blind, and the repair or maintenance of any equipment mentioned in this paragraph.

However, the supply of cassette tapes is standard-rated.

6.1.7 Lifeboats, slipways and launching and recovery equipment

A charity providing rescue or assistance at sea can purchase the following goods and services at the zero rate:

- any vessel for use as a lifeboat, and its repair and maintenance;
- lifeboat launching and recovery equipment, and its repair and maintenance;

- the construction and modification of lifeboat slipways, and their repair and maintenance;
- spare parts and accessories for use with the above vessels, equipment and slipways; and
- equipment of a kind ordinarily installed, incorporated or used in a lifeboat.

6.1.8 Medical and scientific equipment etc

The supply to a charity of certain goods that the charity will donate to an eligible body, such as a UK health authority, a hospital, a research institution or certain other charitable institutions, can be zero-rated.

Where a charity is also an eligible body it may purchase certain goods at the zero rate for its own use. Zero-rating will also apply to certain goods purchased by a charity whose sole purpose is to provide a range of care services to meet the personal needs of disabled people, or who provides transport services for disabled people.

More information on the goods that qualify for zero-rating can be found in Notice 701/6 Charity funded equipment for medical, veterinary etc uses.

6.1.9 Medicinal products

A charity engaged in the treatment or care of people or animals, or in medical or veterinary research, can purchase medicinal products at the zero rate.

A 'medicinal product' is a substance presented as a medicine, or an ingredient for a medicine, capable of being administered to people or animals for a medicinal purpose. The zero rate covers medicinal products purchased by a charity for the purpose of testing the efficiency of those products.

'Medicinal purpose' means:

- treating or preventing disease;
- diagnosing disease, or ascertaining the existence or degree of a physiological condition;
- contraception;
- inducing anaesthesia;
- otherwise preventing or interfering with the normal operation of a physiological function, whether permanently or temporarily, and whether by terminating, reducing or postponing, or increasing or accelerating the operation of that function, or in any other way.

6.1.10 Rescue equipment

Charities providing first aid or rescue can purchase specialist communication, light enhancing and heat detecting equipment at the zero-rate.

For more information, see Notice 701/6 Charity funded equipment for medical, veterinary etc uses.

6.1.11 Resuscitation training models

The supply to a charity of a resuscitation training model that is to be used in first-aid training in cardiopulmonary resuscitation or defibrillation techniques is zero-rated. 'Cardiopulmonary resuscitation' means a combination of expired air ventilation and chest compression.

6.2 Eligibility declarations

An eligibility declaration must be completed by the charity for each of the reliefs detailed in this section. Examples of these declarations can be found in Notice 701/6 (Supplement).

It is the supplier's responsibility to ensure that the correct VAT rate is applied. He must take reasonable steps to check with the charity any condition that he cannot verify for himself. Any additional verifications carried out should be recorded and kept with the declaration of eligibility.

If a supplier has taken reasonable steps to check the validity of a declaration but fails to identify an inaccuracy and in good faith makes the supplies concerned at the zero rate, Customs will not seek to recover the tax due from the supplier. It is important that suppliers carefully check declarations received. (See the concession on incorrect customer declarations in Notice 48 Extra-statutory concessions.)

A charity must give its supplier evidence that it is a charity. If asked for further evidence the charity must be able and willing to give it before VAT relief can be given.

6.3 What if a charity purchases goods from another EC Member State?

VAT registered charities that buy goods in other Member States of the EC as part of their business activities are not normally required to pay VAT when they bring the goods back to the UK. These goods are referred to as acquisitions. Instead of paying VAT on entry the charity must account for any VAT due on the acquisitions at the appropriate UK VAT rate on their next VAT return. No tax will therefore be due on the acquisition of goods which would be zero-rated if purchased by a charity in the UK. You can find more information on purchasing goods within the EC and the accounting requirements in Notice 725 The Single Market.

6.4 What if a charity purchases goods from outside the EC?

When a business (which may include a charity or its trading subsidiary) imports goods into the UK from a place outside the EC VAT is normally due at place of entry to the UK. However charities may be able to claim relief from VAT on some imports. Please see Notice 317 Imports by charities free of duty and VAT for more information.

7. Fuel and power

7.1 Reduced rate of VAT

Charities have to pay VAT on supplies of fuel and power. However charities can claim the reduced rate where fuel and power is supplied for a qualifying use. Qualifying use means:

- supplied for use in a dwelling or certain other types of residential accommodation, such as a children's home, hospice or care home for the elderly or disabled; or
- supplied for use in charitable non-business activities, such as free day care for the disabled.

Additionally, deliveries of certain small quantities of fuel and power are automatically treated as being for a qualifying use. For example, electricity supplied at a rate not exceeding 1000 kilowatt hours a month or a delivery of not more than 2300 litres of gas oil, will qualify for the reduced rate whatever the use of the building.

If the fuel and power is supplied partly for a qualifying use the supplier may have to apportion the supply. Charities should provide the supplier with a certificate declaring the percentage of the fuel and power that will be used for a qualifying purpose. For more information please see Notice 701/19 Fuel and power.

7.2 Climate Change Levy

If a charity qualifies for the reduced rate for fuel and power, it will be excluded from the climate change levy.

See Notice CCL2 An introduction to climate change levy for further information.

8. Treatment of income from affinity credit cards

8.1 How to treat income from affinity credit cards

Charities may treat income from affinity credit cards as follows, as long as they are not acting as an intermediary between the card provider and the applicant. Please see paragraph 5.3.1 for more information on intermediaries. Please note that this treatment only applies to income from affinity credit cards and does not extend to any other financial products.

A typical qualifying agreement between the charity and the card provider will provide for the supply by the former (or its trading subsidiary) to the latter of the following services:

- access to the charity's membership or mailing lists and/or mailing of the card provider's promotional literature to members.
- endorsement of the card and marketing of the card by the charity to its members/supporters.
- the right to use the charity's name and logo on the card and on the card provider's promotional literature.

Subject to the agreements between the charity and card provider being structured in a qualifying manner, the bulk of the monies received by a charity from the card provider can be treated as outside the scope of VAT.

Typically a card provider will pay an agreed amount to the charity (or its trading subsidiary) on the issue of each new card. Thereafter the card provider pays the charity a percentage of the turnover (value of purchases) on the card.

8.2 How the relief works

The basis of the relief is that payments by card providers to a charity, made solely in respect of the use of the charity's name and logo, can be treated as contributions for which the charity is not obliged to do anything in return.

To benefit from this treatment there must be two separate agreements:

- One agreement, between the charity (or its trading subsidiary) and the card provider should provide for the supply by the charity (or its trading subsidiary) of the necessary marketing and publicity services, access to membership lists and other promotional activity for the card (marketing services). These supplies are taxable at the standard rate.

- A second and separate agreement between the charity and the card provider should provide for contributions to be made by the card provider in respect of the use only of the charity's name and/or logo. Contributions made under this agreement can be treated as outside the scope.

This being the case, part (at least 20%) of the initial payment can be treated as the consideration for the standard-rated business supplies by the charity. The remaining 80% or less of the initial payment, and **all** subsequent payments based on turnover will be outside the scope of VAT.

9. Glossary of terms

Acquisition: Goods coming into the UK from another EC Member State.

Business: An economic activity, not necessarily for profit - see section 4. Only charities carrying out business activities and making taxable supplies can register for VAT.

Consideration: Consideration means any form of payment either wholly in money, partly in money and partly in something else (such as in part-exchange transactions) or not in money at all (such as in barter transactions).

Exempt: Some business activities are exempt from VAT, for example, the provision of welfare services by a charity. If a charity is carrying out an exempt business activity it does not have to charge VAT, but it cannot normally reclaim any VAT on the goods and services purchased in respect of that activity (see paragraph 3.7.3). For more information on what goods and services are exempt from VAT see Notice 700 The VAT Guide. Charities (and any other business), whose business activities are wholly exempt, are not able to register for VAT.

Input tax: Most goods and services that charities purchase from a VAT-registered business will bear VAT (but please see Section 6 for details of reliefs available to charities). The VAT paid on goods and services purchased by a charity in respect of any business activity it carries out is input tax. VAT paid on goods and services a charity purchases for any non-business activity it carries out is not input tax (see paragraph 3.7.1). Charities can only reclaim input tax in respect of taxable business activities, with some exceptions (see Notices 700/64 Motoring expenses and 700/65 Business entertainment. Charities cannot normally reclaim any input tax in respect of exempt business activities (see paragraph 3.7.3 and Notice 706 Partial exemption).

Non-business: Any activity which is not a business activity.

Output tax: The VAT that a charity must charge and account for on supplies of taxable goods and services.

Outside the scope: Activities that are not covered by VAT law, for example activities that are non-business, or business activities that take place outside the UK. Charities whose activities are wholly non-business are not allowed to register for VAT. Charities whose business activities take place wholly outside the UK, can register for VAT if those activities would be taxable were they to take place in the UK.

Reduced rate: This is the rate of VAT (currently 5%) liable on supplies of certain goods and services, for example, domestic fuel and power, children's car seats, residential renovations and conversions. For more information about what goods or services are reduced-rated see Notice 700 The VAT Guide.

Standard rate: This is the rate of VAT (currently 17.5%) liable on all business supplies of goods and services that are not specifically exempted, zero-rated or reduced-rated.

Taxable person: An individual, firm, company, charity etc who is, or is required to be, registered for VAT. A person who makes taxable supplies above certain value limits is required to be registered.

Taxable supply: Goods and services that are standard-rated, reduced-rated or zero-rated when sold by a business (or charity) that is registered for VAT.

Trading subsidiary: A non-charitable trading company controlled by one or more charities. Most of the VAT reliefs available to charities are **not** available to trading subsidiaries.

Zero rate: This is the rate of VAT (0%), liable on supplies of certain goods and services, for example, food and children's clothes. For more information on what goods and services are zero-rated see Notice 700 The VAT Guide. Although no VAT is charged on these supplies, any input tax incurred by a charity in the making of zero-rated supplies is recoverable. Unlike exempt activities, charities (and any other business), whose business activities are wholly zero-rated, are able to register for VAT.

Do you have any comments?

We would be pleased to receive any comments or suggestions you may have about this notice. Please write to:

**HM Customs and Excise
Construction, Charities and Health Team
4th Floor West
New Kings Beam House
22 Upper Ground
London
SE1 9PJ**

Please note this address is **not for general enquiries**. You should ring our National Advice Service about those.

If you have a complaint or suggestion

If you have a complaint please try to resolve it on the spot with our officer. If you are unable to do so, or have a suggestion about how we can improve our service, you should contact one of our Regional Complaints Units. You will find the telephone number under 'Customs and Excise - complaints and suggestions' in your local telephone book. Ask for a copy of our code of practice 'Complaints and putting things right' (Notice 1000). You will find further information on our website at <http://www.hmce.gov.uk>.

If we are unable to resolve your complaint to your satisfaction you can ask the Adjudicator to look into it. The Adjudicator, whose services are free, is a fair and unbiased referee whose recommendations are independent of Customs and Excise.

You can contact the Adjudicator at:

The Adjudicator's Office
Haymarket House
28 Haymarket
LONDON
SW1Y 4SP

Phone: (020) 7930 2292

Fax: (020) 7930 2298

E-mail: adjudicators@gtnet.gov.uk

Internet: <http://www.adjudicatorsoffice.gov.uk/>

Update 1 issued June 2004

This slip corrects a typographical error in this section of the Notice

Section	Amendments
6	VAT reliefs charities can obtain on their purchases
6.1.3	Construction Delete 1st paragraph and replace with new paragraph below: 'The construction of buildings, and certain works to protected buildings, intended to be used for solely non - business purposes or as a village hall or similar can be zero - rated subject to certain criteria being met. More information can be found in Notice 708 Buildings and construction.'

PURCHASE BY AN ELIGIBLE BODY OF MEDICAL, SCIENTIFIC ETC. EQUIPMENT

PART 1 - to be completed by the purchaser

[tick boxes as appropriate]

I(full name)
.....(status in organisation)
of..... (name and address of
.....organisation)

which is:

- a Health Authority or Special Health Authority in England or Wales
- a Health Board in Scotland
- a Health and Social Services Board in Northern Ireland
- a hospital whose activities are not carried on for profit
- a research institution whose activities are not carried on for profit
- a charitable institution providing care or medical or surgical treatment for
handicapped persons
- the Common Services Agency for the Scottish Health Service
- the Northern Ireland Central Services Agency for Health & Social
Services
- the Isle of Man Health Services Board
- a charitable institution providing rescue or first-aid services
- a National Health Service trust established under Part I of the National
Health Service and Community Care Act 1990 or the National Health
Service (Scotland) Act 1978

declare that the above named organisation is buying or hiring
from:

..... (name and address of
..... supplier)

the following:

..... (description of goods
..... or services)

.....	<input type="checkbox"/>	<input type="checkbox"/>
which I believe are	medical equipment	sterilising equipment	<input type="checkbox"/>
	scientific equipment	laboratory equipment	<input type="checkbox"/>
	computer equipment	refrigeration equipment	<input type="checkbox"/>
	video equipment	<input type="checkbox"/>	
parts or accessories of the equipment indicated above			

repairs or maintenance of the equipment indicated above
and is paying for this supply with funds provided entirely by a charity or from
voluntary contributions.

I also declare that the goods are to be used in

medical research		veterinary research	
medical training		veterinary training	
medical diagnosis		veterinary diagnosis	
medical treatment		veterinary treatment	

I have read the guidance in the Customs and Excise VAT Notice 701/6 and
apply for zero-rating of the supply under Group 15, items 5 or 6 of the zero-
rate Schedule to the VAT Act 1994.

.....(signature and date)

**The production of this certificate does not authorise the zero-rating of the
supply. It is the suppliers responsibility to ensure that the goods/services
supplied are eligible before zero-rating them.**

PART 2 - for use by the supplier

I have read the guidance in Customs and Excise VAT Notice 701/6 and agree
that the goods/services supplied come within the category indicated above (or
come within the alternative eligible category of
..... equipment).

.....(signature and date)

Notes (eg any steps taken to verify the declared particulars)

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