

## VAT Check List for Charities

There are certain questions that any charity needs to address in relation to VAT:

### Are you in business?

The meaning of 'business' is very wide for VAT purposes.

At one extreme, if all your activities are funded by grants and donations then your activities are probably 'non-business'. At the other extreme, if you carry on activities that generate income, then you may well be in business for VAT purposes. If you lie somewhere in between then you should seek professional advice.

### What is the correct VAT liability of the goods you sell and the services that you provide?

Supplies of goods and services for VAT purposes may be taxable at the zero, reduced or standard rate or exempt. You may only recover VAT on costs incurred in making taxable supplies. Therefore, it is essential to identify the VAT liability of your supplies if you are to get your VAT accounting right.

Outline advice is given by H M Revenue & Customs on a whole range of common charitable activities in their Notice 701/1 (see [www.hmrc.gov.uk](http://www.hmrc.gov.uk)). Contact us if you would like further advice.

### Are you making your purchases at the zero rate wherever possible?

There are a number of situations where a charity may purchase services and/or goods without paying VAT. These include:

- Advertising
- Aids for the disabled
- Certain building works
- Medicinal and scientific equipment

There are conditions that must be met including, in many cases, a requirement to issue a certificate to the supplier confirming your eligibility to purchase goods at the zero rate.

If you are partly exempt, do you have the best partial exemption method for you?

This is a complex area. Please contact us for clarification.

### How we can help

We act for many charities and our specialist VAT team regularly advises on the complex VAT issues facing charities. Please contact us for further help.

For further information about James Cowper and how we may be able to assist you, visit [www.jamescowper.co.uk](http://www.jamescowper.co.uk)

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