



"OVERALL AUDIT SERVICE AWARD" - WINNER 2009
Annual *Charity Finance* survey

not for profit | parish VAT guide

introduction

Value Added Tax (VAT) is a tax charged on the supply of most goods and services that VAT-registered businesses provide in the UK.

Rates and Exemptions There are currently three rates of VAT for taxable supplies as follows:

- standard rate 17.5%
- reduced rate 5%
- zero- rates: 0%

There are also some goods and services that are:

- exempt from VAT
- outside the VAT system altogether

VAT registration

If your turnover from taxable supplies is greater than the registration threshold (£70,000 from 1 April 2010) in any 12 month period you are required to register for VAT. This means that you would then charge VAT on taxable sales and be able to recover VAT on those purchases which are related to the taxable sales. Appendix A indicates which income streams are taxable.

recovery of VAT incurred

VAT on purchases can only be recovered by a VAT registered business when that VAT relates to making a taxable supply. If a business makes exempt supplies or does something which is outside the scope of VAT, then VAT cannot be reclaimed on the purchases directly related to these activities.

VAT reliefs

Additionally, charities are entitled to certain narrow reliefs from normal VAT charges. Some reliefs are only available to charities when they are acting in a non-business capacity. It is a mistake to think charitable status confers any blanket relief from VAT, it does not. The following reliefs may be of use.

buildings

- the construction services provided to build a new place of worship are zero-rated; i.e. you should not be charged VAT by the builder
- the construction services provided to build a new church hall or similar are zero-rated
- the construction services to improve access for disabled persons including ramps, lifts, widening doorways and the provision of disabled washrooms are zero-rated.
- approved alterations of protected buildings are zero-rated. This relief does not extend to repairs.

repairs to listed places of worship

A special grant is available to reclaim an amount equal to the amount of VAT charged on repairs. The refunds are not made by HM Revenue & Customs but details can be found at www.lpwsscheme.org.uk or by telephoning 0845 601 5945. The scheme is currently due to continue until 31 March 2011.

energy saving material

The reduced rate of VAT is charged on energy saving materials including central heating and hot water system controls, draught stripping, insulation, solar panels, wind turbines, water turbines, ground source heat pumps, air source heat pumps, micro combined heat and power units, and wood-fuelled boilers.

fuel and power

The supply to a charity of fuel and power for use by the charity, otherwise than in the course and furtherance of business is charged at the reduced rate of 5% VAT and no climate change levy will be charged. If you are not already paying 5% VAT on your gas and electricity you could send your supplier an exemption certificate.

advertising

The zero rate relief is available for all types of advertisements on any subject, including staff recruitment. The name or logo of the charity does not need to be included for relief to be allowed. This relief does not cover costs in connection with your own website.

Goods and services used by charities in connection with fund raising

By concession, supplies of the following goods to a charity may be treated as zero-rated.

- a) lapel stickers or similar attachments of no intrinsic value, of low cost to the charity and given as an acknowledgement of a donation. This also applies to the components if they are purchased separately.
- b) any form of receptacle manufactured specifically for the purpose of collecting money provided that it is marked for collecting for your charity and can be secured by lock or tamper evident seal.
- c) pre-printed letters the primary purpose of which is to appeal for money for the charity.
- d) envelopes used in conjunction with the letter in (c) for forwarding donations and outer envelopes provided that they are overprinted with the appeal request.

At present the postal services received from the Royal Mail are exempt from VAT.

appendix A

VAT liability of income

The following table shows a list of income which might be received by parishes and the correct VAT treatment of the income.

income	VAT treatment
donations - freely given	outside the scope
Diocesan grants	outside the scope
fees for marriages, burials etc.	outside the scope
rental income - from residential properties	exempt from VAT
investment income	outside the scope
sales of donated goods	taxable - zero-rate
sale of books	taxable - zero-rate. This covers most publications including leaflets and magazines
sale of postcards and posters	taxable - standard rate
sale of recordings, CDs, DVDs, electronic books etc	taxable - standard rate
supplies in the course of catering e.g. from a coffee shop	taxable - standard rate. Cold take away food, but not drink is zero-rated
sale of food stuffs	taxable - zero-rated. However, some types of food especially confectionary, crisps and chocolate coated biscuits are standard rated. This can be a complex area but you should be guided by whether the supplier charged VAT
retreats	exempt from VAT. The provision of spiritual welfare as part of a course of instruction or retreat not being primarily designed to provide recreation or holiday
fund raising events	exempt from VAT

about haysmacintyre

haysmacintyre, Chartered Accountants and tax advisers, works with over 550 charities and not for profit organisations in the UK and overseas. Our services include the full range of audit, tax, VAT and comprehensive advisory services. Our multi-disciplinary specialist team has extensive sector experience working for a diverse range of charities. We are based in one location which ensures an integrated and comprehensive approach to our clients' requirements.

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