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# VAT TREATMENT OF BUSINESS DONATIONS OF GOODS TO CHARITY

Response by Association of Taxation Technicians

## 1 Introduction

- 1.1 The Association of Taxation Technicians (ATT) is pleased to have the opportunity to respond to the HM Revenue & Customs (HMRC) and HM Treasury's consultation document 'VAT Treatment of Business Donations of Goods to Charity' ('the Consultation') issued on 28 April 2025<sup>1</sup>.
- 1.2 The primary charitable objective of the ATT is to promote the education and study of tax administration and practice. We place a strong emphasis on the practicalities of the tax system. Our work in this area draws heavily on the experience of our members who assist thousands of businesses and individuals to comply with their taxation obligations.
- 1.3 The ATT has submitted its response to the Consultation using the online form<sup>2</sup>. For reference, the content of our response is reproduced below. This response has been informed by the experiences of our members, some of whom deal with clients who donate or receive donations of goods either to give away free of charge or to use in the delivery of services.
- 1.4 Please note that we have only responded to questions relevant to our remit as a professional body and have not commented on those directed primarily at charities receiving donations.
- 1.5 We would be pleased to discuss any aspect of this submission further. Relevant contact details can be found in Section 5.

## 2 About you

### 2.1 Question 1: Are you responding as:

- A business
- A charity (registered or unregistered) or charitable incorporated organisation (CIO)

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<sup>1</sup>[https://assets.publishing.service.gov.uk/media/680f7ace11d566056bcae964/Consultation\\_on\\_the\\_VAT\\_treatment\\_of\\_business\\_donations\\_of\\_goods\\_to\\_charity.pdf](https://assets.publishing.service.gov.uk/media/680f7ace11d566056bcae964/Consultation_on_the_VAT_treatment_of_business_donations_of_goods_to_charity.pdf)

<sup>2</sup> [Consultation on the VAT Treatment of Business Donations of Goods to Charity](#)

- Another type of organisation - if so please provide details (e.g. trade/representative body, social enterprise or a community interest company (CIC))
- An individual

2.2 A representative body - Association of Taxation Technicians.

2.3 Question 2: If you answered 'a business', please provide details.

2.4 N/A

2.5 Question 3: If you answered 'a charity', please provide details.

2.6 N/A

2.7 Question 4: If you answered 'an organisation', please provide details in relation to:

- The size of your organisation
- Your organisation's aims and functions
- Where your organisation is established (e.g. UK, Isle of Man, another country (if so, please specify the country))
- Whether you currently donate or receive donations of goods to give away free of charge, or use in the delivery of services, including a rough estimate of volume and value of donations, or are considering doing so

2.8 The Association has more than 10,000 members and Fellows together with over 7,000 students.

The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

The Association is UK based.

This response has been informed by the experiences of our members, some of whom deal with clients who donate or receive donations of goods either to give away free of charge or to use in the delivery of services.

Please note that we have only responded to questions relevant to our remit as a professional body and have not commented on those directed primarily at charities receiving donations.

2.9 Question 5: If you are currently either donating goods or receiving donations, please provide details of your operating model.

2.10 N/A

2.11 Question 6: Would you use a relief on goods donated to charity to give out free or charge or use in the delivery of their services?

2.12 N/A

### 3 Objectives and scope of the proposed relief

#### 3.1 Question 7: Would the proposed relief encourage donations?

- 3.2 Yes. One member told us that their client, who produces goods such as storage boxes, was willing to donate them to charities. However, they were discouraged from doing so due to both the cost — particularly the requirement to account for output VAT — and the perceived complexity of the VAT treatment, such as how to calculate the VAT outside of normal sales and where to record it. In that instance, the client had been considering donating approximately £50,000 worth of goods but ultimately decided against it due to the absence of an appropriate relief.

#### 3.3 Question 8: Would the proposed relief support circular economy objectives by encouraging the donation of goods which may otherwise be put into landfill?

- 3.4 Yes, we believe the proposed relief would encourage businesses to donate goods rather than throw them away. It would help extend the life of capital items by giving them a second use, supporting circular economy goals and reducing unnecessary waste.

However, there may be a risk that the relief inadvertently encourages the donation of goods that are unusable. Care would need to be taken to ensure that the relief is not used as a way of offloading waste, which could place additional burdens on charities.

#### 3.5 Question 9: What is the average value of individual items you donate or receive?

- 3.6 N/A

#### 3.7 Question 10: If a value limit was put on individual items donated, what would be a suitable maximum value?

- 3.8 We do not believe it would be helpful to set a monetary limit for donated goods.

The value varies significantly depending on the type of item, and applying a limit introduces its own complications—such as whether the valuation would be based on cost price, selling price, or deemed market value.

Moreover, the perceived significance of an item can differ greatly depending on the recipient. For example, a donation of a £5,000 product by a business to a charity, may represent a substantial donation for a charity or an average individual but could be relatively insignificant to a large company with annual sales of £1 million.

Additionally, establishing strict eligibility criteria based on either monetary limits or specific types of goods risks adding administrative complexity for both donors and charities. For instance, donors might try to circumvent limits by dividing donations into smaller units or misclassifying items to fit within eligible categories. This could undermine the relief's effectiveness and increase compliance burdens. If HMRC or the Government have concerns about potential misuse, they may wish to keep this area under review rather than introduce limits at the outset.

#### 3.9 Question 11: What types of goods do you donate or receive (e.g. hygiene products, clothes) and what is the status of the goods (second hand, new stock, end-of-life stock, business returns)?

- 3.10 A broad range of goods are donated, with the types and status of items varying depending on the donor, donee, and the charity involved. Our members have noted that end-of-life stock, business returns and IT equipment which is no longer suitable for business use but could be donated to a charity youth group are

common examples, but some businesses also consider donating new stock — as illustrated in the example provided in our response to Question 7.

We would like to reiterate our comments under Question 8 regarding the importance of ensuring that any relief does not inadvertently encourage the donation of unusable or obsolete goods, which could place a burden on charities rather than benefit them.

3.11 **Question 12: If we listed types of goods eligible for the VAT relief, what categories of goods should be included?**

3.12 We do not believe that there should be a fixed list of inclusions or exclusions. Different charities have varying needs, and allowing as wide a range of goods as possible to qualify for the relief could encourage more donations.

3.13 **Question 13: Do you have views on how else we could define which goods are eligible for the relief, or foresee any issues with the options set out above?**

3.14 We believe that listing eligible goods may discourage donations by limiting flexibility and failing to reflect the varied needs of different charities. If any form of definition is necessary, a carefully considered exclusion list may be more effective than an inclusion list, as it would allow a broader range of goods to qualify by default.

As noted in our response to Question 10, imposing a defined list risks adding administrative complexity for both donors and charities, which may discourage donations rather than encourage them.

3.15 **Question 14: For what purpose do you use donations; to give away to those in need, use in the delivery of services, or another purpose?**

3.16 N/A

3.17 **Question 15: Do you foresee any problems with a relief which included goods for the purpose of distribution to those in need, but not for use in the delivery of a charity's services?**

3.18 Yes, we believe such a restriction would be problematic. Limiting the relief to goods intended solely for distribution would significantly narrow its scope, adding complexity and making it less likely to be considered by potential donors.

3.19 **Question 16: Would limiting the relief to eligible individuals such as those who receive welfare support impact your ability to distribute donations to those in need?**

3.20 N/A

3.21 **Question 17: Would applying a limit on the total value of VAT-free donations an individual could receive impact your ability to distribute donations to those in need?**

3.22 N/A

3.23 **Question 18: What are your views on the types of organisations which should be eligible to receive goods donated under this relief, for example charities, social enterprises and charitable incorporated organisations?**

3.24 We believe that eligibility should primarily be based on a verifiable status to reduce the risk of abuse — for example, being a registered charity with the Charity Commission.

However, we recognise that some organisations — such as food banks — may not always be registered charities.

These are exactly the types of organisations the relief appears intended to support, particularly in the context of circular economy objectives and reducing waste through redistribution of goods to those in need.

Therefore, we would support a framework that includes registered charities as a baseline, but also allows for other clearly defined and regulated not-for-profit organisations to be eligible, where appropriate safeguards can be maintained.

3.25 **Question 19: What are your views on restricting the relief to goods donated to registered charities?**

3.26 Please refer to Question 18.

3.27 **Question 20: What are your views on restricting the relief to goods donated to charities with a poverty relief objective, and would such a restriction create any challenges for your current operating model.**

3.28 We believe that narrowing the scope of the relief to charities with a poverty relief objective would be too restrictive. Charities support a wide range of causes. Limiting the relief in this way could exclude organisations doing valuable work in education, health, environmental protection, and other areas that also deliver significant public benefit.

## 4 **Administration of the relief**

4.1 **Question 21: What are your views on a requirement for businesses to demonstrate that they have delivered, or otherwise made available, goods to an eligible charity?**

4.2 While a requirement to demonstrate delivery or transfer of goods might discourage some donations — particularly if it introduces additional administrative steps — in practice, such records are likely to be created by the recipient charity as part of their normal procedures for controlling and tracking goods.

As such, the only additional step for the donor should be to obtain a copy of these records. This should not be unduly burdensome.

4.3 **Question 22: If you currently donate goods to be given away free of charge what records do you keep?**

4.4 N/A

4.5 **Question 23: What are your views on the records in paragraph 5.5 which could be needed to assure compliance with the relief?**

4.6 The details at 5.5 seem reasonable and complete.

4.7 **Question 24: Do you think the option to use a certification system would be effective for this relief?**

4.8 Yes, similar systems are already in place for donations of goods intended for sale, so it would not represent additional work for donors. Such a system provides protection for donor in cases of fraud or problems within the charity and could encourage more donations by increasing confidence in the process.

4.9 **Question 25: If you are a charity which receives donations, what records, if any, do you keep on total donations, and individual recipients of donations?**

4.10 N/A

4.11 [Question 26: What is the scope for limiting the total value of donations an individual receives, or putting in place eligibility criteria for recipients such as the receipt of welfare support?](#)

4.12 N/A

## 5 Contact details

5.1 We would be pleased to join in any discussion relating to this consultation. Should you wish to discuss any aspect of this response, please contact us at [atttechnical@att.org.uk](mailto:atttechnical@att.org.uk).

## The Association of Taxation Technicians

### 6 Note

6.1 The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government and academia.

The Association has more than 10,000 members and Fellows together with over 7,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively.