

**Finance Bill 2025-26**

**Representation from the Association of Taxation Technicians (ATT)**

**Clause 80: Certain charitable donations not to be treated as supplies of goods**

**Executive Summary**

Clause 80 introduces a welcome ‘VAT relief’ for businesses that donate goods to charities. Its purpose is to address an inconsistency in the current VAT rules. Under the current legislation, goods donated by VAT-registered businesses to charities for resale (for example, through a charity shop) are not subject to VAT (zero-rated), whereas goods donated for use by the charity or onward distribution to people in need are usually subject to VAT at 20% (standard rated). Clause 80 seeks to address this inconsistency by allowing certain donations for use or distribution by the charity to be treated as outside the scope of VAT, meaning no VAT is due.

To benefit from the new ‘VAT relief’ there are a number of requirements which create an administrative burden for businesses making the donations, in particular:

- item specific value limits; and
- a requirement to obtain certification from the charity receiving the donations.

There is a risk that these requirements could become burdensome and, in turn, discourage businesses from making donations to charity.

While the new ‘VAT relief’ improves fairness, it does not fully align with the existing VAT relief for donations made to charities for resale. Under the existing legislation, businesses face different VAT outcomes depending on how the charity uses the donated goods. Clause 80 does not remove this complexity but adds a further outcome, under which ‘qualifying charitable donations’ are treated as outside the scope of VAT if specific conditions are met. As a result, businesses will need to continue to navigate these complex rules to determine the correct VAT treatment for what is, in practical terms, the same activity – a donation of goods to charity.

Clear guidance will be essential to help businesses understand when the relief applies, how the item specific value limits apply and what evidence is required. Without clear and understandable guidance businesses may be discouraged from making donations.

**1. Background**

- 1.1. In May 2025, HMRC and HM Treasury published a joint consultation<sup>1</sup> on the VAT treatment of business donations of goods to charity. The consultation sought views on the design of a new ‘VAT relief’ for business donations of goods to charity for onward distribution or use in the delivery of their services. The consultation outcome was published on 26 November 2025.

- 1.2. Under current legislation, where:

---

<sup>1</sup> <https://www.gov.uk/government/consultations/consultation-on-the-vat-treatment-of-business-donations-of-goods-to-charity>

## Finance Bill 2025-26 ATT Representation – VAT and charitable donations (clause 80)

- a donation of goods is made by a VAT-registered business or a business required to be VAT-registered (for ease of reference we will simply refer to ‘VAT-registered’);
- that business was entitled to reclaim VAT paid on the purchase of those goods (a credit for input tax); and
- the donation is made to a charity for resale by the charity

The donation is not subject to VAT (it is zero-rated). For example, where a VAT-registered business donates goods to a charity which then sells those goods through a charity shop, the donation is zero-rated. This means that the business does not account for VAT on the donation.

1.3. However, currently, where:

- a donation of goods is made by a VAT-registered business;
- that business was entitled to reclaim VAT paid on the purchase of those goods (a credit for input tax); and
- the donation is made to a charity which uses the goods in delivering its services, or for onward distribution to those in need (i.e. they are not resold by the charity)

The donation is subject to VAT at 20% (standard rated). This means that the business making the donation must account for output VAT on the donation.

## 2. Practical impact of Clause 80

2.1. Clause 80 introduces an exception (the new ‘VAT relief’), that prevents a ‘qualifying charitable donation’ from being treated as a supply of goods. This means that qualifying charitable donations will not be subject to VAT.

2.2. Clause 80 also inserts a new paragraph to define a ‘qualifying charitable donation’. A ‘qualifying charitable donation’ is a donation of an item to a charity where—

- (a) the item’s value does not exceed the applicable limit, and
- (b) the donation is made either for use by the charity otherwise than in the course or furtherance of a business, or for onward donation by the charity (whether or not to another charity).

2.3. This means where a VAT-registered business donates goods to a charity and they are not then resold by the charity (i.e. they are used by the charity in the delivery of their services, or are distributed to those in need), assuming the conditions are met, the donation will be outside the scope of VAT. The business making the qualifying charitable donation will no longer be required to account for output VAT on the donation (see 1.3).

2.4. The new exception will apply to ‘qualifying charitable donations’ made on or after 1 April 2026.

### Applicable limit

2.5. The new exception is subject to an applicable limit. If the item’s value exceeds the applicable limit the exception will not apply and the VAT-registered business making the donation will

be required to pay VAT on those goods if it was entitled to a credit for the input tax on their purchase.

2.6. The applicable limit depends on the item donated. It is:

- £200 where the item donated is a household appliance, furniture, flooring (including carpet and rugs), a computer, a mobile phone or tablet.
- £100 in any other case.

2.7. For the purposes of determining an item's value for these purposes, the value is the lower of how much:

- A. It cost the business making the donation to acquire or produce the item;
- B. It would cost the business making the donation to acquire an identical item (or, if that cannot be determined, a similar item) when it is donated.

Where the cost of acquiring or producing the item is not known (A), the value is how much it would cost the business making the donation to acquire an identical item or, if that cannot be determined, a similar item) when it is donated (B).

2.8. The value of individual items donated varies significantly depending on the type of item. As we noted in our consultation response<sup>2</sup>, the value limits risk adding administrative complexity for both donors and charities. For instance, donors may have various items that they wish to donate (such as a number of staff laptops that are no longer needed). Requiring them to check that the applicable limit has not been exceeded for each individual item may become onerous and prevent donations from being made. In addition, where donations are close to the limits and valuation is not precise, this uncertainty could further deter businesses from making donations.

2.9. Alternatively, 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.

2.10. It will be essential that detailed guidance is provided to businesses, including examples, to ensure that they can fully understand and apply the applicable limits and calculate each item's value for the purposes of the applicable limits.

2.11. It is also potentially confusing to apply value limits to donations used by or distributed by a charity, while imposing no limits where donations are resold by the charity. In substance, from the business's perspective, both transactions are simply donations to charity. This complexity may also deter businesses from making donations.

#### Eligibility for the relief

---

<sup>2</sup> <https://www.att.org.uk/sites/default/files/2025-07/VAT%20Treatment%20of%20business%20donations%20of%20goods%20to%20charity%20-%20%20Condoc%20Response.pdf>

2.12. In the consultation outcome<sup>3</sup>, published on Budget Day (26 November 2025), it was stated that:

- The government has decided that the ‘VAT relief’ will apply to goods donated to charities registered with HMRC for tax purposes and, where required, registered with one of the main charity regulators in the UK.
- The government recognises that many small charities which are not required to be registered make a significant contribution at a local level. However, the absence of regulatory oversight over their accounts and trustees presents significant fraud risk, therefore they will not be included in the scope of this relief. To ensure they are not excluded, unregistered charities that wish to benefit from the relief can do so by registering with HMRC as charities for tax purposes.

2.13. Clause 80 as currently drafted does not specify any requirement for the charity to be registered with HMRC or the charity regulator in order for a donation to be treated as a ‘qualifying charitable donation’.

2.14. For VAT purposes, the definition of a charity is set out by Finance Act 2010, Schedule 6, Part 1 which sets out a number of conditions for the definition of a charity to be met. This includes the requirement for the charity to be registered on the register of charities kept under section 29 of the Charities Act 2011. This definition means that where a charity is excluded or excepted from the requirement to be registered, it is still possible for it to be treated as a charity. However, VAT Notice 701/01 (territorial legislation) adds the requirement for charities to be recognised by HMRC if they wish to claim charity ‘VAT relief’.

2.15. The ATT is concerned that the requirement for charities to be registered with a regulator and recognised by HMRC may be overlooked, as it is not clearly set out in the new paragraph 5A defining a qualifying charitable donation.

2.16. Clause 80 also operates differently from other charity VAT reliefs. It introduces an exception into VATA 1994, Schedule 4, Paragraph 5, removing qualifying charitable donations from the scope of VAT, rather than applying a reduced rate, zero-rate or exemption. To avoid doubt, VAT Notice 701/01 should be updated to include clause 80 within the ‘law covered in this notice’ section.

2.17. Clear guidance and communication will be essential to ensure that this ‘VAT relief’ is correctly applied by businesses.

2.18. In addition, the consultation outcome stated that:

- The government has decided that it would be prudent for businesses to demonstrate eligibility for the relief through certification from the charity receiving donations confirming that the goods will be used or distributed for charitable purposes. HMRC will not be prescriptive in the format of certification which they accept as evidence for entitlement to the relief if businesses choose to demonstrate eligibility this way.
- Donor businesses will also be expected to retain evidence that goods have been delivered or otherwise made available to an eligible charity. A delivery note or

---

<sup>3</sup>[https://assets.publishing.service.gov.uk/media/692426ddb812a67cb6a55e2/Final\\_Draft\\_Summary\\_of\\_Responses\\_-\\_VAT\\_Treatment\\_of\\_Business\\_Donations\\_of\\_Goods\\_to\\_Charity\\_final.pdf](https://assets.publishing.service.gov.uk/media/692426ddb812a67cb6a55e2/Final_Draft_Summary_of_Responses_-_VAT_Treatment_of_Business_Donations_of_Goods_to_Charity_final.pdf)

## **Finance Bill 2025-26 ATT Representation – VAT and charitable donations (clause 80)**

equivalent evidence will therefore form part of standard documentation businesses are expected to keep.

- Donor businesses will also be expected to keep appropriate records to support claims for relief, which includes details such as product descriptions, quantities, values and the identity of the receiving charity.

2.19. These requirements are not set out in clause 80. The ATT is concerned that businesses may overlook these requirements, particularly because a donation could meet the definition of a 'qualifying charitable donation' under clause 80 but still fail to qualify for the relief under clause 80 (for example, where the charity is not recognised by HMRC or certification has not been obtained). This could be confusing and difficult for taxpayers to navigate.

2.20. While these requirements may be set out in VAT Notice 701/01, separating conditions between VATA 1994 and VAT Notice 701/01 risks further confusion.

2.21. We are also concerned that, where businesses are aware of the record keeping requirements set out above, their onerous nature could deter them from making donations to charity and instead result in usable but unwanted items being sent to landfill.

### **Determining the correct VAT treatment**

2.22. Once clause 80 comes into effect, where a business is entitled to a credit for input tax on the goods donated;

- Donations for onwards sale to a charity will be subject to VAT at 0% (zero-rated).
- Goods donated for onward donation or use by the charity will not be subject to VAT (they will be outside the scope of VAT) where they meet the definition of 'qualifying charitable donation' and the additional requirements set out in VAT Notice 701/01.
- Goods donated for onwards donation or use by the charity, and which do not meet the definition of 'qualifying charitable donation', will be subject to VAT at the 20% standard rate.

2.23. There will essentially therefore be three different VAT treatments for 'a donation to charity by a VAT-registered business'. There is a significant risk that businesses will struggle to understand and apply these complex rules, leading to errors in VAT returns and liabilities. This risk of error may itself discourage businesses from making donations. Clear and comprehensive guidance will therefore be essential.

### **Association of Taxation Technicians**

**23 January 2026**

#### **Contact for further information:**

**George Crozier, ATT Head of External Relations**

[gcrozier@att.org.uk](mailto:gcrozier@att.org.uk); 020 7340 0569

#### **Note:**

**The Association of Taxation Technicians**

## **Finance Bill 2025-26 ATT Representation – VAT and charitable donations (clause 80)**

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 over 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