VAT treatment of business donations of goods to charity: HMRC and HMT consultation

Indirect Tax **OMB** **Large Corporate**



20 August 2025

The government is consulting on changes to the VAT treatment of goods donated by businesses to charities. Currently, VAT relief applies to goods donated for resale, but not to those given for use by the charity or for onward donation. The proposals aim to remove this inconsistency and encourage more donations.

In our response to the consultation document VAT treatment of business donations of goods to charity (tinyurl.com/2xpf8bfx), the ATT welcomes the proposed VAT relief.

At present, businesses can claim VAT relief on goods donated to charity for resale. However, they must account for output VAT if those goods are donated for the charity's own use or for onward donation to beneficiaries. The ATT notes that this inconsistency creates a disincentive to donate, particularly where the VAT cost is

significant or the rules are seen as overly complex.

The ATT highlights the proposed relief's potential to reduce waste and support the circular economy by extending the useful life of goods. However, we caution against unintended consequences, such as businesses using the relief to offload unusable items.

The ATT does not support the introduction of monetary thresholds or eligibility criteria based on specific types of goods. We argue that such restrictions would reduce flexibility, increase administrative burdens and fail to reflect the diversity of donors, donees and charitable purposes. If any form of definition is deemed necessary, the ATT suggests that a carefully considered exclusion list would be more effective than an inclusion list, as it would allow a broader range of goods to qualify by default.

The ATT also believes that restricting the relief solely to goods distributed directly to individuals, or to charities with a poverty-relief objective, may discourage donations. Charities support a wide range of causes, and such restrictions could exclude organisations carrying out valuable work in education, health, environmental protection and other areas that deliver significant public benefit.

On eligibility, the ATT agrees that a verifiable status – such as being registered with the Charity Commission – should form the basis for access to the relief to reduce the risk of abuse. However, we urge the government to consider extending the relief to other not-for-profit organisations, such as food banks and social enterprises, where appropriate safeguards can be put in place.

The full ATT submission can be found here: www.att.org.uk/ref487

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