

21 July 2025



VAT Treatment of Business Donations of Goods to Charity

Response from ICAS

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1. The Institute of Chartered Accountants of Scotland ('ICAS') is the world's oldest professional body of accountants. We represent over 24,000 members working across the UK and internationally. Our members work in the public and not for profit sectors, business and private practice. Approximately 11,500 of our members are based in Scotland and 10,000 in England and Wales.
2. The following submission has been prepared by the ICAS Tax Board. The Tax Board, with its five technical Committees, is responsible for putting forward the views of the ICAS tax community; it does this with the active input and support of over 60 committee members.
3. ICAS has a public interest remit, a duty to act not solely for its members but for the wider good. From a public interest perspective, our role is to share insights from ICAS members into the many complex issues and decisions involved in tax and regulatory system design, and to point out operational practicalities.

General comments

4. We welcome the opportunity to respond to the HM Treasury and HMRC consultation – [VAT Treatment of Business Donations of Goods to Charity](#). We appreciated the opportunity to discuss the proposals with the consultation team at a stakeholder meeting on 8 July.
5. If the relief is to fulfil the objectives of encouraging charitable donations and reducing waste, it is vital that the administrative requirements for donor businesses and charities are kept to a minimum. The right balance needs to be found between limiting the scope for abuse and having a relief that is workable for charities and businesses.
6. It would make sense to restrict the relief to registered charities, with a certification system, if this means that the relief could be simpler to operate because there would be fewer concerns about potential abuse. Additionally, we can see some merit in combining this approach with value limits, rather than adopting other more administratively complex options suggested in the consultation which are unlikely to work in practice (for example, limiting the total value of donations received by an individual).
7. If value limits are adopted, consideration should be given to different options for determining 'value', to reduce uncertainty for businesses. One possibility would be to base the value limit on the original purchase price (setting the value higher to allow for the fact that the purchase price would generally be higher). Another would be to allow businesses to use the lower of original purchase price and the value on donation. It would also be helpful for the value limits to be reviewed and increased periodically to take account of inflation.

Specific Questions

Question 1: Are you responding as:

- A business
 - A charity (registered or unregistered) or charitable incorporated organisation (CIO)
 - **Another type of organisation - if so please provide details (e.g. trade/representative body, social enterprise or a community interest company (CIC))**
 - An individual
8. The Institute of Chartered Accountants of Scotland ('ICAS') is a professional body of accountants.

Question 2: If you answered 'a business', please provide details in relation to:

9. Not applicable.

Question 3: If you answered 'a charity', please provide details in relation to:

10. Not applicable.

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
11. The Institute of Chartered Accountants of Scotland ('ICAS') is the world's oldest professional body of accountants. We represent over 24,000 members working across the UK and internationally. Our members work in the public and not for profit sectors, business and private practice. Approximately 11,500 of our members are based in Scotland and 10,000 in England and Wales.
12. ICAS has a public interest remit, a duty to act not solely for its members but for the wider good. From a public interest perspective, our role is to share insights from ICAS members into the many complex issues and decisions involved in tax and regulatory system design, and to point out operational practicalities.

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

13. Not applicable.

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?

14. We have no comments on this question.

Question 7: Would the proposed relief encourage donations?

15. We believe that it would encourage donations, but also that it would make administration much easier.
16. We understand that some large commercial entities make redundant stock available to charities – some for onward sale but some for use by charities or for onward donation to users/beneficiaries of the charity. This will often involve significant volumes and value. Currently, donations (other than for onward sale) are hampered, or may even be prevented, by the VAT position.
17. In some cases, trading subsidiaries may be established to create sales to the charity for nominal sums, but this imposes significant administrative burdens and practical issues arise. Similarly, goods may be paid for in kind – for example, through the charity offering advertising in return, but this requires proper contractual arrangements to be put in place.
18. Introducing the proposed VAT relief would remove the need for some of these arrangements and would reduce administrative burdens and costs caused by the current rules. It would also facilitate donations that currently do not go ahead at all because of the VAT position.

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

19. Yes. We understand that some entities which already donate refer to this in CSI reporting, highlighting that goods are being given away rather than put into landfill (for example a hotel group donating clean but used bed sheets & pillows after a standard number of 'sleep nights').

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

- If you donate surplus or end-of-life stock for charities to give away free of charge, how do you calculate the value of the stock to determine the VAT due?

20. We have no comments on this question.

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

21. We agree that in many cases – like the example given in the consultation of crates of shampoo - £100 would be a reasonable limit. Where more valuable items are donated to charities (for example, designer clothing and footwear), they would be likely to be sold rather than donated to the charity's users.
22. However, a £100 threshold would not be high enough for some charities, for example, charities involved in helping individuals to furnish accommodation, which are likely to be providing items like washing machines.
23. It might also be too low in some cases, where goods are being provided for the charity's own use, for example, if a business wanted to donate computers for the charity to use itself.
24. One possibility might be to have different limits for items to be used by the charity and for items to be donated by the charity to its users, although this could cause some problems in practice, as discussed in our response to Question 15.
25. Another possibility could be to set lower value limits for goods regarded as high risk for abuse, as long as these could be precisely defined – we discuss this further in our response to Question 12.
26. One disadvantage of value limits would be the need to arrive at valuations and the potential lack of certainty. Consideration should be given to possible alternatives. One option would be to base the value limit on the original purchase price (setting the value limit higher to allow for the fact that the purchase price would generally be higher). Another would be to allow businesses to use the lower of original purchase price and the value on donation.
27. If value limits are adopted it would also be helpful for these to be reviewed and increased periodically to take account of inflation.

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)?

- Any details of the types of goods you donate or receive would be helpful
28. Feedback from members involved with charities indicates that all the items mentioned are donated to charities. Most are unused items, but some businesses donate items like used bedding (after being cleaned) which would otherwise be sent to landfill. These are generally then distributed to those in need rather than resold as donated goods. Additionally, we understand that sometimes 'over-produced' stock is also donated. We also understand that some producers simply want to donate items of stock (typically hygiene products etc) to good causes.

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

- Please also list goods it would be problematic to exclude from the relief if relevant
29. Excluding items from relief will make the relief more difficult and burdensome to administer and apply. Donors would potentially need to identify and sort donations into different crates – and commercially that 'pre-donation' administration is something donors are seeking to minimise.

30. We anticipate that there could also be difficulties providing precise definitions of the categories of goods that would be eligible (or excluded), leading to uncertainty and grey areas. However, the consultation notes that laptops, tablets, and mobile telephones are regarded as particularly high risk for potential abuse of the relief, so these could potentially be treated differently to lower risk donations. They could either be excluded, or subject to a lower value limit (for example, to allow cheap laptops to be provided to disadvantaged students).
31. The use of value limits could potentially make the relief easier to administer than having long lists of included and excluded categories, subject to addressing problems with valuation – as discussed in our response to Question 10. As also noted in our response to Question 10, high value donations are more likely to be sold than donated to the charity's users/beneficiaries.

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?

32. See our responses to previous questions. Administrative burdens for donors and charities need to be minimised. Large businesses may be unwilling to undertake extensive sorting of donations. On balance we believe value limits (subject to addressing the valuation issues discussed earlier) would be a preferable approach, rather than listing categories of eligible and ineligible items.
33. It would also be helpful for a pragmatic approach to be adopted to valuing donations. For example, if a hotel chain donates sheets that have been used 20 times to a charity, it is likely that the alternative would have been for the sheets to go to landfill. It is difficult to see that these sheets have any value. However, concerns have been raised that HMRC might want to revisit input tax in these cases, or cases where the charity paid a nominal amount for the goods.

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?

- Please specify details of goods used in the delivery of services or for another purpose
34. It is important to recognise that there are many different charitable models – and that charities actively look for new ways to raise money. For example, we are aware of a charity that operates a technology recycling scheme.

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?

35. As suggested in the consultation this would be very difficult to administer in practice. In many cases, the donor and the charity may not know at the point of the donation whether the goods will be used by the charity or passed on to the charity's users.
36. It would be preferable to take a broader approach to the intended use of the donated goods so that they could either be used by the charity or passed on to the charity's users.

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?

37. This is unlikely to be a feasible option for most charities. Another way of mitigating the risk of abuse would be to exclude any donations from connected parties from relief.

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?

38. Again, this is unlikely to be feasible for most charities. Many charities may be unable or unwilling to obtain and store details of individual users. Donated goods could also range from a small supply of nappies to the furnishing of supported accommodation.
39. As noted in our response to Question 16 any donations from connected parties could be excluded from relief.

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?

40. It would make sense to restrict the relief to registered charities, with a certification system, if this means that the relief could be simpler to operate because there would be fewer concerns about potential abuse.
41. This would potentially exclude some small charities with income below the registration threshold for registering with the Charity Commission for England and Wales. However, we understand that many of these charities already choose to register voluntarily, to be eligible for the charitable tax reliefs.
42. Charities also have to register with HMRC if they want to claim certain charitable reliefs, such as gift aid, so potentially this could be another route for a small charity to be deemed eligible to receive goods donated under the proposed relief.

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

- As an un-registered charity, would you be able to provide HMRC with assurance against the risk of fraud in the form of records and accounts in the absence of formal registered charity status?
43. See our response to Question 18. Restricting the relief to donations to registered charities would be a sensible approach. Small charities (in England and Wales) could consider registering voluntarily.

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?

- If you're not a registered charity, would you be able to demonstrate a poverty relief objective?
44. We do not support restricting the proposed relief to goods donated to charities with a poverty relief objective. We believe donations of goods to any registered charities should qualify (if they meet any conditions, such as value limits).
45. As set out in our responses to Questions 16 and 17 it would make sense to exclude any donations from connected parties from relief.

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?

46. We recognise that there will need to be some record keeping and certification to minimise the risk of abuse – but it is important that the administrative burdens are kept to a minimum.
47. It is reasonable that a business should be able to demonstrate, for example, through an acknowledged delivery note that the goods have been made available to a charity.
48. We understand that many donors' tracking systems 'bulk up' donations into parcels of goods, so any delivery note evidence should be at the grouped level rather than individual items to minimise administrative resource requirements.

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

49. We have no comments on this question.

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

50. As noted in our response to Question 21, there will need to be some record keeping and certification to minimise the risks of abuse – but it is important that the administrative burdens are kept to a minimum.
51. We understand that large businesses may donate ‘pallets’ of items. It is unclear whether in all cases, these businesses would currently be able to provide the original purchase price and value at donation for every individual item.
52. As set out in our response to Question 13, a pragmatic approach may need to be taken to valuation of some items, for example, where the likely alternative to donation is that the items would be put into landfill.

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

- Do you have views on other means for a business to seek assurance that the charity will use the goods for the intended purpose?
53. A certification system would probably be effective, provided there are not too many restrictions on what the charity can do with the goods. As noted in our response to Question 15, in some cases, the donor and the charity may not know at the point of the donation whether the goods will be used by the charity or passed on to the charity’s users.
54. We believe it would be preferable to take a broad approach to the intended use of the donated goods, to cover both these options. The charity could then guarantee that it would use the items for one or the other of these purposes. It would be unhelpful for a charity to be sanctioned because after it received the donated goods, some of them were used in the delivery of its services rather than donated to its users. The threat of sanctions might deter some charities from accepting donations.

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?

55. We have no comments on this question.

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?

- Do charities keep records of the value of donations individuals receive which could be used to facilitate a limit on the total value of donations?
 - Do charities hold information on the recipients of donations, such as whether they receive welfare support, and if not, would it be possible to collect this information?
56. As noted in our responses to Questions 16 and 17, it seems unlikely that this would be feasible for many charities and would certainly impose administrative burdens. Other ways of minimising the risk of abuse would be preferable, for example, excluding donations from connected parties and setting value limits.
57. Adopting an approach linked to welfare support would be likely to restrict the application of the relief to a small number of charities, who would be able to demonstrate that all their users were in receipt of welfare support – and exclude charities that are also helping those in need but without being able to demonstrate recipients’ welfare status. For example, a charity might provide equipment for disabled children (some of which might be donated to the charity) – we cannot see why this should be excluded from the scheme.



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