

CommunitySpaces

VAT Advice

The receipt of grant funding is usually treated as being outside the scope of VAT; meaning that there is no requirement to charge VAT on the income.

However, there are circumstances in which the receipt of grant funding can be seen as payment for the provision of goods or services (particularly, but not exclusively, when the grant funding is received in order to carry out work for someone else, this includes work carried out on land not owned by the grant recipient). Receipts of this type could lead to a requirement to charge VAT or, if not currently VAT registered, to register for VAT.

Further information is contained in the HMRC public notice 701/1 “Charities” which is available on the HMRC website - http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageLibrary_ShowContent&id=HMCE_CL_000097&propertyType=document Section 5.10 outlines the treatment of grant funding and is applicable to all organisations, not just charities. In particular the second question posed in section 5.10.1 should be considered.

We recommend that all recipients of grant funding under this programme obtain VAT advice either from their own advisor or from the HMRC national advice centres;

For charities the number is 0845 302 0203

For other organisations the number is 0845 010 9000

When seeking advice it is important to fully explain the purpose of the grant, the nature of any work paid for and who benefits from the work.