
VAT AND FUNDRAISING

Dealing with the VAT rules for fundraising events –not for profit clubs or charities

Fundraising exemption

It is worth noting there are VAT exemptions when an event is organized and advertised at a 'fundraising event'.

- For example, "ABC Rugby Club invites members and friends to a fundraising buffet on 24th December at the club house".
- the event is intended to make a surplus; and
- it is organised by a charity or non-profit making organisation

Please note it is not a problem if the event made a loss due to lack of support or unexpected costs. It is the intention of making a surplus that counts, so we recommend always producing a forecast to show the expected profit from the evening.

VAT liability of income

The exemption applied to all income that is specific to the fundraising event, eg. ticket sales, programme sales, promotional material or merchandise, auctions items, sponsorship packages, advertising revenue, etc.

But note that HMRC would challenge attempts to apply the exemption to normal trading income that is earned from the event. For example, bar sales at the clubhouse would not

separate purchase invoice, for customers to buy wine with their food would not be a problem.

Input tax Recovery

The starting point is that any VAT paid on the costs of the evening are input tax blocked under the rules of partial exemption. This is a fair outcome: HMRC is not getting VAT on the income from the evening, so it is reasonable that input tax is also blocked. Costs that the block would apply to include the following expenses:

- catering fees
- guest speaker fees
- cost of auction items and other merchandise
- advertising costs for the event

However, there is a window of opportunity that might enable the club to fully claim input tax by using the partial exemption de minimis limits. These rules apply if the input tax relevant to exempt activities is less than £625 per month on average and also less than 50% of total input tax in a VAT period.

Please note the exempt input tax figure includes a proportion of the VAT incurred on overhead items and mixed costs, e.g. telephone bill, computer costs. This calculation is usually made according to the standard method of partial exemption based on splits between taxable and exempt income. We can assist with this.

**Chartered Certified Accountants
Statutory Auditors & Business Advisers**

Leofric House, Binley Road, Coventry, CV3 1JN
Euston House, 12 Euston Place, Leamington Spa, CV32 4BN

Coventry +44 (0)24 7625 1333
Leamington Spa +44 (0)1926 88 88 65
Email: accts@leigh-christou.co.uk
Web: www.leigh-christou.co.uk

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