



## Top Tips for Saving on VAT

By Scott Craig, partner, Scott-Moncrieff

**Advertising and publications** – Charities qualify for zero-rated advertising, so make sure you do not pay VAT on advertising costs. And remember, all publications are zero-rated!

**Fuel** – Where non-business activities exceed 60%, charities are exempt from climate change levy and should only incur the reduced rate of VAT on fuel and power bills. Even if they don't satisfy the 60% test they can still receive a pro-rated benefit.

**Staff** – No VAT should be charged on seconded staff who perform a non-business function.

**Donated Goods** – The sale of donated goods is zero-rated. While no output tax is due, the additional 'taxable' income improves the recovery of VAT.

**Sundry items** – Stickers, pre-printed letters, envelopes, and badges are zero-rated when supplied to a charity and given away freely with donations.

**Grants and Service Level Agreements** – A grant is outside the scope of VAT. However, payments under a service level agreement can be a business supply (for VAT purposes) and liable to VAT. Ensure you structure your funding arrangements in a VAT efficient manner.

**Maximising VAT recovery** - Many charities are not recovering input VAT that they are entitled to. Do you maximise the recovery of VAT in the following areas?

- Bad debt relief and unpaid sales (more than 6 months old)
- Employee expenses
- EC VAT – you may be able to make an 8<sup>th</sup> Directive claim to get this back

**Controlling your tax points** – Many charities do not consider the timing of payments to HMRC. Issuing pro-forma invoices is one way to delay the payment of output tax to HMRC.

In some cases you should be able to recover the VAT on purchase invoices before you pay your supplier.

**Change in VAT rate** – charities could reduce the cost of irrecoverable VAT by at least 2.5% by making significant purchases before the VAT rate changes on January 1st, 2010.



**For further information please contact:**

**Scott Craig, VAT partner, Scott-Moncrieff**  
[scott.craig@scott-moncrieff.com](mailto:scott.craig@scott-moncrieff.com)