

A VAT wish list

Brexit signals an end to the UK's ties with the European Union VAT regime. Our tax expert Bill Lewis asks the prime minister to rationalise some of the VAT anomalies that beset UK charities.

Dear Prime Minister,

I know you are going to be a busy chap this year what with agreeing a trade deal with Brussels and Trump and your ambitious domestic agenda, but I would ask that you spare a thought for our wonderful charity sector and the many VAT travails they have to suffer. Once we've left the Customs Union – assuming we do – and have control of our VAT laws you can implement a cornucopia of changes for good.

Here are my top five requests.

1. The law around when a charity can construct a new building at the VAT zero rate is almost as complicated as a cryptic crossword – the chief problem is the new building has to be used for a 'relevant charitable purpose', which means otherwise than used for a business purpose. A single stroke of Mr. Sunak's pen could remove the word 'relevant' from the statute book, meaning the property would only have to be used for a charitable purpose – much easier to satisfy. Also, could the relief be extended to Community Amateur Sports Clubs please? Mr Cameron got into a spot of bother with that when he was PM – you may recall he tried to help Eynsham Cricket club save VAT on their new club house only to be told they were not a charity and did not qualify.
2. If you buy a book or a newspaper it's VAT zero rated. The same product bought electronically is subject to VAT because electronic publications did not exist when the VAT law around printed materials was created. For years HMRC has blamed the EU for not allowing a change in the rules – but some time ago the EU said if the paper product was zero rated the electronic product could be too. So, the UK law can be changed – an easy populist win.
3. In the same vein – did you know that audio books are subject to VAT? Braille books and paper books are VAT zero rated. Those who listen to audio books are mostly people with restricted vision. Another easy and popular move would be to extend the VAT zero rate to audio books as well.
4. Charity advertising is another easy win. The rules say that the recipient of the advert must not be 'selected' if it is to qualify for VAT zero rating. This was to prevent people being door stepped and phoned by charity agents VAT free. However, since the rules were created, we have seen the rise of electronic media, Facebook, Instagram et al which use clever algorithms to select the recipients so that those most likely to respond to the advert receive it. A brilliant idea. But because they are 'selected' the taxman says no to VAT zero rating. But surely an electronic advert is less intrusive than face-to-face marketing?
5. Finally, please can you align VAT law with direct tax law on areas such as advertising and sponsorship? The corporation tax man allows donors a little advertising in return for their donation; the VAT man allows none, meaning the smallest acknowledgement in return for a payment can lead to an unexpected VAT charge.

All of the above will be easier to do than many of the things on your to do list and will help many charities who could do with some good tax news in a year in which they are dealing with MTD and IR35.

Yours sincerely

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