

# VAT: Where next?

## Irish Charities Tax Reform Group

International Philanthropy Conference  
Brussels, September 2005

## Irish Charities Sector

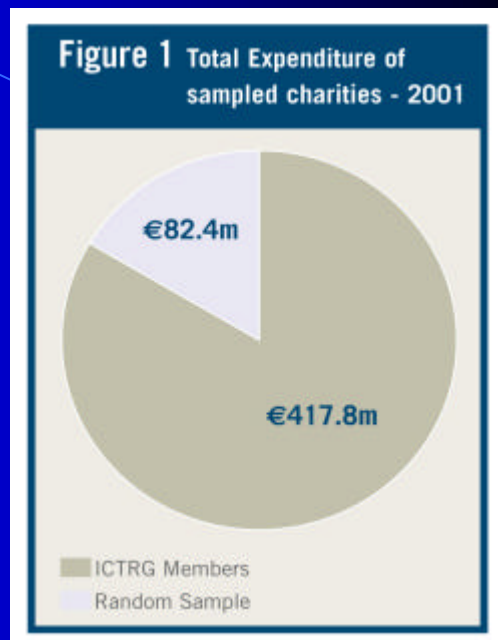
- 6,400 organisations with charitable tax exemption
  - Small number of large charities
  - Large number of small charities
- Of these approx. 1,900 are registered to receive tax effective donations i.e. are actively fundraising
- Cover the full range of charitable activities

## Presentation outline

- Why VAT is such a key issue for Irish Charities: research findings
- ICTRG's preferred solution

## Key Findings

- The total expenditure of sampled charities in 2001 was over €500m
- ICTRG members accounted for 83.5% of the total spend



## Key Findings

- Over €18m was paid out on VAT
- Only €300k of this eligible for a refund
- Proportion of VAT as a % of total expenditure = 3.6%

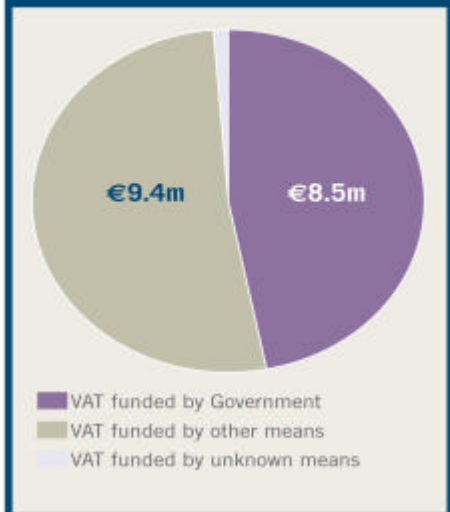
Figure 2 Total VAT Expenditure of sampled charities - 2001



## Key Findings

- 52% of the total VAT incurred was funded by private means – fundraising, donations, sponsorship, commercial activities etc.
- 47% funded directly or indirectly by government
- 1% unknown

Figure 3 VAT expenditure by source of funding



## The impact on individual charities

- A few examples...
- Respect
- Concern

## ICTRG's Preferred Solution

- VAT Refund Mechanism
  - Charities should be allowed to reclaim their input VAT
- Advantages
  - Charities get their VAT back
  - Control left with national Tax authorities re who gets the refund (protects against fraud)
  - Doesn't involve major legislative reform
  - Details of refund schemes can be worked out at national level (subsidiarity principle). Is adaptable to local circumstances.

## Where next?

- Political will needed
- EU-wide campaign
- We must share
  - information
  - contacts
  - experiences
  - resources
- Wider coalition