



VAT TREATMENT OF BUSINESS DONATIONS OF GOODS TO CHARITY

Issued 21 July 2025

ICAEW welcomes the opportunity to comment on the VAT Treatment of Business Donations of Goods to Charity published by HMT and HMRC on 28 April 2025, a copy of which is available from [this link](#).

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This response of 21 July 2025 has been prepared by the ICAEW Tax Faculty. Internationally recognised as a source of expertise, ICAEW's Tax Faculty is a leading authority on taxation and is the voice of tax for ICAEW. It is responsible for making all submissions to the tax authorities on behalf of ICAEW, drawing upon the knowledge and experience of ICAEW's membership. The Tax Faculty's work is directly supported by over 130 active members, many of them well-known names in the tax world, who work across the complete spectrum of tax, both in practice and in business. ICAEW Tax Faculty's Ten Tenets for a Better Tax System, by which we benchmark the tax system and changes to it, are summarised in Appendix 1.

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KEY POINTS

1. We recognise and support the government's aim to reduce unnecessary landfill and encourage the donation of goods to charity. However, as a professional body committed to a clear, stable and broad-based VAT system, we do not generally support the creation or extension of VAT reliefs, which often add complexity and undermine neutrality.
2. That said, we acknowledge that the existing VAT treatment creates a perverse incentive: businesses face no VAT liability when disposing of goods (including to landfill) but may incur one when donating those same goods to charity (other than for resale through the existing relief). This misalignment discourages donations of goods and undermines circular economy objectives.
3. We have therefore answered the consultation questions on the assumption that the government intends to introduce the relief, with the aim of ensuring that any such relief is implemented in the most practical, proportionate and administratively simple way possible.
4. In particular:
 - a. We support limiting the relief to donations to bodies with charitable status – principally charities registered with the Charity Commission (or equivalent body), exempt charities recognised by HMRC, and excepted charities subject to charity law but not required to register – as this provides a clear and regulated boundary without the need for overly complex safeguards.
 - b. We strongly favour a certification system, with clear timing guidance, to avoid placing the burden on donors to assess how goods will be used.
 - c. We recommend against imposing value thresholds or attempting to categorise eligible goods, as this would introduce complexity and reduce flexibility.
 - d. We caution against restrictions based on recipient characteristics (eg, in receipt of welfare support), or on whether goods are distributed or used in service delivery. In many cases, goods distribution *is* the charity's service delivery (eg, food banks, hygiene kits, digital access) and such distinctions are difficult to apply in practice and risk excluding legitimate charitable activity.
5. Taken together, these principles would help ensure that the relief achieves its intended social and environmental objectives without undermining VAT simplicity or placing undue burdens on donors, charities, or HMRC.

ANSWERS TO SPECIFIC QUESTIONS

Note on scope of response

We have focused our responses on the design and administration of the proposed relief, reflecting our role as a professional body. We have not responded to questions that are clearly directed at donors or frontline charities with direct experience of distributing physical goods, or to those outside our remit. We have therefore not answered Questions 2, 3, 5, 6, 9–11, 14, 22, 25 or 26.

Question 1: Are you responding as

6. Another type of organisation: a professional body representing chartered accountants.

Question 4: If you answered ‘an organisation’, please provide details in relation to:

- **The size of your organisation**
 - **Your organisation’s aims and functions**
 - **Where your organisation is established (e.g. UK, Isle of Man, another country (if so, please specify the country))**
 - **Whether you currently donate or receive donations of goods to give away free of charge, or use in the delivery of services, including a rough estimate of volume and value of donations, or are considering doing so**
7. ICAEW is a world-leading professional body established under a Royal Charter to serve the public interest. In pursuit of its vision of a world of strong economies, ICAEW works with governments, regulators and businesses and it leads, connects, supports and regulates more than 172,000 chartered accountant members in over 150 countries. ICAEW members work in all types of private and public organisations, including public practice firms, and are trained to provide clarity and rigour and apply the highest professional, technical and ethical standards.
 8. We are not responding in relation to goods we donate or receive.

Question 7: Would the proposed relief encourage donations?

9. The proposed relief may encourage some additional donations, particularly where VAT currently acts as a disincentive to giving away surplus or unsold goods.
10. However, the extent of behavioural change will depend on whether the relief is clearly communicated, simple to apply, and low-risk in respect of adherence to both the donors and the recipients’ compliance obligations. If the process is complex or uncertain, businesses are unlikely to take advantage of the relief and may continue to dispose of goods rather than donate them.

Question 8: Would the proposed relief support circular economy objectives by encouraging the donation of goods which may otherwise be put into landfill?

11. Yes, if designed effectively, the relief could support circular economy objectives by helping to reduce unnecessary landfill and encouraging reuse.
12. At present, the VAT treatment creates a perverse incentive: businesses face no VAT charge when destroying goods or sending them to landfill, but may incur a liability when donating them.
13. By addressing this imbalance, the proposed relief could help redirect low-value but usable goods – such as hygiene products, unsold retail items, or obsolete equipment – towards

redistribution and away from waste, provided the administrative process is simple and proportionate.

Question 12: If we listed types of goods eligible for the VAT relief, what categories of goods should be included?

14. As a general principle, we would recommend not taking a categorical approach to defining eligible goods. Listing specific goods could:
 - a. Risk excluding goods that serve a legitimate charitable purpose;
 - b. Require frequent updating as patterns of donation and charitable needs evolve; and
 - c. Introduce new classification challenges for both donors and HMRC.

Question 13: Do you have views on how else we could define which goods are eligible for the relief, or foresee any issues with the options set out above?

15. We are not convinced there is a need to define which goods are eligible for the relief. The existing VAT relief for donated goods for resale applies regardless of the type of goods donated, provided that the charity confirms they are to be sold for charitable purposes. We consider that if this relief *is* to be extended, a similar approach could and should apply to the extended relief.
16. Attempting to define eligible goods would introduce unnecessary complexity, increase the risk of interpretive disputes, and require regular updates to keep pace with changes in the types of goods commonly donated.
17. A principles-based approach focused on how the goods are used, rather than what they are, would offer greater flexibility and be more consistent with the existing VAT treatment of business donations to charity.

Question 15: Do you foresee any problems with a relief which included goods for the purpose of distribution to those in need, but not for use in the delivery of a charity's services?

18. Yes, we foresee problems with a relief that includes goods for the purpose of distribution to those in need, but not for use in the delivery of a charity's services.
19. However, in many cases, distribution of donated goods will *be* the delivery of charitable services. For example:
 - a. a charity supporting homeless individuals may provide clothing, bedding, or hygiene packs as part of its core service;
 - b. a food bank distributes goods as its principal charitable activity; and
 - c. a digital inclusion charity may provide refurbished laptops or mobile phones directly to beneficiaries.
20. Trying to separate these donations from service delivery is artificial and risks misclassifying legitimate activity. It could lead to:
 - a. uncertainty for donors and charities about what qualifies;
 - b. inconsistent treatment depending on how a charity organises its operations; and
 - c. administrative complexity for HMRC in determining where the line should be drawn.

Question 16: Would limiting the relief to eligible individuals such as those who receive welfare support impact your ability to distribute donations to those in need?

21. While we are not a distributing charity, we consider that such a restriction would be problematic. Many charities support individuals who are in need but not formally receiving welfare support, whether through ineligibility or, for various reasons, not claiming it. In practice, charities may not know – and may otherwise have no reason to ask – whether recipients are in receipt of welfare, making this restriction difficult to apply and potentially exclusionary.
22. Notwithstanding Question 20, many charities operate in areas unrelated to human welfare support – for example, animal welfare or environmental protection – where the concept of an eligible individual receiving welfare support is generally not applicable.

Question 17: Would applying a limit on the total value of VAT-free donations an individual could receive impact your ability to distribute donations to those in need?

23. Again, while we are not a distributing charity, we believe such a limit would create unnecessary complexity. While some charities may keep basic records of what is distributed to service users, requiring them to track the cumulative value of VAT-free donations per individual would create an unreasonable administrative burden, particularly for smaller charities that may not have the sophisticated systems required to track this.
24. More fundamentally, the VAT liability sits with the donor but the exact understanding of how the donations are used – including a limit on the total value of VAT-free donations an individual could receive – would sit with the recipient charity.

Question 18: What are your views on the types of organisations which should be eligible to receive goods donated under this relief, for example charities, social enterprises and charitable incorporated organisations?

25. A clear, regulated boundary – rather than one based on loosely defined social purpose – is essential if the relief is to be broad in scope but low risk in application.
26. We therefore consider that eligibility should be limited to organisations with clearly defined charitable purposes and appropriate regulatory oversight. In our view, this means:
 - a. Registered charities, including those registered with the Charity Commission for England and Wales, the Office of the Scottish Charity Regulator (OSCR), or the Charity Commission for Northern Ireland; and
 - b. Exempt charities recognised as such by HMRC for tax purposes and subject to charity law but not eligible to register.
 - c. Excepted charities, which have charitable status but are not required to register with the Charity Commission provided their income remains below the statutory threshold.
27. We do not support extending eligibility to social enterprises or informal not-for-profit organisations. These entities are not subject to charity law or regulation by the Charity Commission (or other relevant body) and may operate with broader social or commercial aims. Including them would increase ambiguity, reduce the auditability of the relief, and increase the risk of misuse.

Question 19: What are your views on restricting the relief to goods donated to registered charities?

28. As above, we support restricting the relief to registered charities and exempt charities recognised by HMRC for tax purposes. This provides a clear, administrable, and publicly verifiable boundary, which helps ensure the relief is used appropriately without imposing excessive burdens on donors or HMRC.

29. We consider that restricting the relief in this way reduces the need for more complex safeguards elsewhere – such as limits on the value or type of goods donated – by ensuring that only accountable, regulated organisations can issue the necessary certification.
30. We acknowledge that this approach may exclude some very small charities, such as those in England and Wales with income under £5,000 that are not required to register. However, we consider that these organisations may be unlikely to have the administrative capacity to comply with certification requirements, and we understand they may register voluntarily with the Charity Commission (or other relevant body) should they wish to access the relief.

Question 20: What are your views on restricting the relief to goods donated to charities with a poverty relief objective, and would such a restriction create any challenges for your current operating model?

31. Whether to restrict the relief to charities with a poverty relief objective is ultimately a policy decision for government, reflecting a judgement about which charitable purposes should qualify for this specific tax relief.
32. In theory, it would be possible to restrict the relief in this way (to charities with a poverty relief objective), as charitable purposes are included in Charity Commission registration and [publicly accessible](#) (or [here](#) or [here](#)). While charities could amend their objects to include a poverty relief objective, this is a regulated process that requires Charity Commission approval and must reflect a genuine charitable purpose.
33. That said, we would question the rationale for applying such a restriction when it does not apply to existing relief for donations of goods for resale. Introducing this distinction risks creating inconsistency and administrative complexity without clear justification.

Question 21: What are your views on a requirement for businesses to demonstrate that they have delivered, or otherwise made available, goods to an eligible charity?

34. We think it is reasonable to require businesses to demonstrate that goods have been delivered or made available to an eligible charity. This is consistent with how businesses typically document the transfer of goods for accounting and VAT purposes. Many may already do so voluntarily for reputational or reporting reasons.
35. However, any requirement should be proportionate and aligned with existing commercial practices. For example, businesses could retain:
 - a. delivery notes;
 - b. collection receipts;
 - c. stock reconciliations or write-downs that reflect the removal of goods from inventory for donation;
 - d. signed donation forms; or
 - e. charity-issued certificates confirming receipt.
36. There should be no need for a new or prescriptive form of evidence, provided the business can reasonably demonstrate that control of the goods passed to a qualifying charity.
37. That said, government (likely HMRC) could provide a standardised template or model form for use where appropriate. This could form part of the certification process and help promote consistency, particularly for donors or charities unfamiliar with evidential requirements. This form could remain optional to preserve flexibility for businesses that already have suitable processes in place.

Question 23: What are your views on the records in paragraph 5.5 which could be needed to assure compliance with the relief?

38. We do not consider the records listed in paragraph 5.5 to be unreasonable. Most should already exist as part of normal business or charity operations, for example, evidence of delivery, confirmation of receipt, and a description of the goods.

39. The most potentially burdensome requirement would be assigning a value to each item, particularly for bulk donations or obsolete goods. However, if the relief is not subject to a value threshold, then detailed valuations may not be necessary in most cases.
40. Overall, we support a pragmatic approach to record-keeping – focusing on evidence of transfer to an eligible charity and use by the charity for qualifying purposes, without mandating prescriptive formats. Any requirements should align with existing business systems and anticipated developments such as e-invoicing.

Question 24: Do you think the option to use a certification system would be effective for this relief?

41. Yes, we think a certification system is the most practical and proportionate way to administer the relief.
42. It places responsibility on the charity to confirm that the goods have been received and will be used for a qualifying purpose. This mirrors the existing approach for donations of goods for resale and provides a clear audit trail for both the donor and HMRC.
43. However, timing presents a practical challenge:
 - a. Before donation, the charity cannot certify receipt of goods not yet delivered.
 - b. After donation, the charity has limited incentive to promptly provide the certificate, aside from maintaining good relations with the donor.
44. To address this, certificates should be allowed to be issued immediately after receipt, with clear guidance on reasonable timeframes to avoid delays.
45. Provided the certification process is simple, standardised, and well-publicised, it should give businesses confidence to apply the relief without needing to assess the ultimate use of goods, reducing risk and supporting uptake.
46. To minimise administrative burden and support consistent record-keeping, certification should be provided electronically. A digital template or standardised online process – ideally available in editable formats – would improve accessibility, reduce errors, and streamline compliance for both donors and charities.

APPENDIX 1

ICAEW TAX FACULTY'S TEN TENETS FOR A BETTER TAX SYSTEM

The tax system should be:

1. Statutory: tax legislation should be enacted by statute and subject to proper democratic scrutiny by Parliament.
2. Certain: in virtually all circumstances the application of the tax rules should be certain. It should not normally be necessary for anyone to resort to the courts in order to resolve how the rules operate in relation to his or her tax affairs.
3. Simple: the tax rules should aim to be simple, understandable and clear in their objectives.
4. Easy to collect and to calculate: a person's tax liability should be easy to calculate and straightforward and cheap to collect.
5. Properly targeted: when anti-avoidance legislation is passed, due regard should be had to maintaining the simplicity and certainty of the tax system by targeting it to close specific loopholes.
6. Constant: Changes to the underlying rules should be kept to a minimum. There should be a justifiable economic and/or social basis for any change to the tax rules and this justification should be made public and the underlying policy made clear.
7. Subject to proper consultation: other than in exceptional circumstances, the Government should allow adequate time for both the drafting of tax legislation and full consultation on it.
8. Regularly reviewed: the tax rules should be subject to a regular public review to determine their continuing relevance and whether their original justification has been realised. If a tax rule is no longer relevant, then it should be repealed.
9. Fair and reasonable: the revenue authorities have a duty to exercise their powers reasonably. There should be a right of appeal to an independent tribunal against all their decisions.
10. Competitive: tax rules and rates should be framed so as to encourage investment, capital and trade in and with the UK.

These are explained in more detail in our discussion document published in October 1999 as TAXGUIDE 4/99 (see <https://goo.gl/x6UjJ5>).