



RESOLUTION

VAT Reform for registered charitable organisations

Adopted at the 12th YEPP Congress in Athens, 03.11.2018

Recognising that:

- EU Value Added Taxation (VAT) is a general consumption tax on goods and services meant for raising revenue which Member States redistribute according to their budgetary, social, or policy requirements.
- The EU VAT Directive 2006 regulated and harmonised VAT within the EU VAT area, specifying that standard and reduced VAT rates are set within a certain range¹.
- Article 132 of the EU's VAT Directive contains a list of exemptions for 'certain items in the public interest', including medical devices².
- Registered charitable organisations are not exempt from VAT on their taxable acquisitions under the VAT Directive, save in relation to certain items for transporting disabled persons, rescue craft, humanitarian goods, and medical equipment³.
- The existing VAT burden impacts upon the ability of charitable organisations to purchase goods or services with fundraised income necessary for their work. This varies from food items for homeless charities, to Automated External Defibrillators for community organisations.
- The VAT burden diminishes the capacity of charities to deliver services through fundraised income and promotes an over-reliance by charities on state grants and the taxpayer. St Vincent De Paul in Ireland has an annual VAT Bill of approximately €3.5 million⁴.
- Charitable fundraising has been severely impacted in the EU over recent years. Income in the Irish charities sector dropped significantly between 2008 and 2013, in the case of publicly fundraised income by in excess of 20% and as high as 35% in some cases⁵. This has led to job losses in the sector and consequent cutbacks in the services.

¹ VAT Rates <https://www.vatlive.com/eu-vat-rules/eu-vat-returns/>

² Council Directive 2006/112/EC <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:347:0001:0118:en:PDF>

³ VAT and Charities <https://www.revenue.ie/en/tax-professionals/tdm/value-added-tax/part02-accountable-persons/vat-and-charities/accountable-persons-charities.pdf>

⁴ VAT on Charities Working Group Report http://www.budget.gov.ie/Budgets/2016/Documents/VAT_on_charities_working_group_report_pub.pdf

⁵ VAT on Charities Working Group Report http://www.budget.gov.ie/Budgets/2016/Documents/VAT_on_charities_working_group_report_pub.pdf

Acknowledging that:

- VAT can only be removed from items purchased by registered charitable organisations with fundraised income by common agreement at a European level.
- The European Commission's 2010 Green Paper on VAT reform highlighted the need to review existing exemptions in the light of economic and technological changes⁶.
- The VAT Committee, set up under the VAT Directive, is an advisory committee on the application of the Directive. Its views do not constitute official interpretations⁷.

YEPP calls on:

- The European Commission to amend Article 132 of the VAT Directive to include all purchases by registered charitable organisations on fundraised income.
- EU Member State governments to make VAT reform for registered charitable organisations a key demand in the Commission's proposed Multiannual Financial Framework.
- The Economic and Financial Affairs Council to introduce a standing agenda item on the topic of VAT reform in order to produce proposals as part of the European Union's negotiations on the current and future Multiannual Financial Frameworks.
- The VAT paid by charitable organisations to be refunded through the annual tax return.

⁶ On the future of VAT – Towards a simpler, more robust and efficient VAT system" (2010)
https://ec.europa.eu/taxation_customs/sites/taxation/files/resources/documents/common/consultations/tax/future_vat/com2010695_en.pdf

⁷ https://ec.europa.eu/taxation_customs/business/vat/vat-committee_en