

## VAT treatment of charitable donations via SMS

This document should be read in conjunction with section 43 of the VAT Consolidation Act 2010.

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## 1. Introduction

This guidance sets out the VAT treatment of a donation to a charity made via a mobile phone using SMS short codes.

In general, donations are made via SMS text message where an individual sends a text message which includes a short code specific to a charity, with the intention of donating money to that charity. The amount that represents the donation is debited to the individual's bill or prepaid phone credit, as the case may be.

Charitable donations are not deemed to be consideration for a supply and are therefore outside the scope of VAT. The provision of telecommunications services is liable to VAT at the [standard rate](#).

## 2. Charitable donations via SMS text message

### 2.1. Donations where the telecommunications provider waives its fee

Where the full amount of the donation is passed over directly to the charity concerned, the entire amount is deemed outside the scope of VAT. The amount involved represents a donation to charity and, because the operators have waived their fee, there is no consideration in respect of a supply for a telecommunications service.

### 2.2. Donations where a fee is charged for the telecommunications service

Where the provider of the telecommunications service charges a fee for facilitating the transaction, then they are obliged to charge VAT at the standard rate on this fee.

However any monies that are directly transferred to the charity, independent of this fee, are considered to be a charitable donation. This donation is also deemed to be outside the scope of VAT.

#### Example 1

A charity makes a request for donations of €1 via mobile phone.

Where the full €1 is directly transferred to the charity, and the service provider makes no deduction, that full amount is outside the scope of VAT.

## Example 2

A charity makes a request for donations of €1 via mobile phone. The telecommunications provider charges 10c per text.

Where €1 is attributed to the short code but 10c of this is deducted as a fee for the telecommunications provider, then that 10c will be liable to VAT at the standard rate.

This 10c is deemed to be consideration for the supply of telecommunications services. The remaining 90c, assuming it is passed in full to the charity, is considered a donation and is outside the scope of VAT.

### 2.3. Fees charged by other parties

Where other parties involved in the process charge fees including those providing technical support etc., those fees are liable to VAT.

The charities involved, the mobile operators, and any other service providers supplying services to support the process must be in agreement in respect of the transaction set-up and associated costs.

Records of the commercial terms and transaction charges must be retained for audit purposes.

## 3. Donations to charity made via SMS using pre-paid credit

Due to the particular VAT treatment applicable to pre-paid phone credit, this section sets out the VAT treatment of donations to a charity made via text message (SMS) using pre-paid phone credit.

Generally, pre-paid phone cards are taxable when they are redeemed<sup>1</sup>, and not at the time of purchase from a retailer. However, in some cases VAT may have already been paid on that phone credit when purchased through a distributor.

### 3.1. Donations where the telecommunications provider waives their fee

Where the mobile operator waives their fee and the full amount of the donation is passed over directly to the charity concerned, the entire amount is deemed outside the scope of VAT.

The amount involved represents a donation to charity and, because the operators have waived their fee, there is no consideration in respect of a supply for a telecommunications service.

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<sup>1</sup> Redeemed against the provision of a service e.g.; telecommunications service taxable at the standard rate of VAT.

This treatment applies in respect of all pre-paid donations, regardless of whether the prepaid credit was purchased directly from the mobile operator or from a distributor.

For prepaid donations, where the VAT has been accounted for and paid to Revenue in respect of sales through distributors, the mobile operator may submit a VAT reclaim to Revenue subject to the conditions set out below being met (paragraph 3.3). This is on the basis that a charitable donation is treated as being outside the scope of VAT.

### 3.2. Donations where a fee is charged for the telecommunications service

Where the provider of the telecommunications service charges a fee for facilitating the transaction, then they are obliged to charge VAT at the standard rate on this fee.

However any monies that are directly transferred to the charity, independent of this fee, are considered to be a charitable donation. This donation is treated as outside the scope of VAT.

In instances where the VAT has been accounted for and paid to Revenue in respect of sales of pre-paid credit through distributors, the mobile operator may submit a VAT reclaim to Revenue subject to the conditions set out below being met (paragraph 3.3) in order to reclaim any VAT paid in respect of the net donation.

### 3.3. Conditions to be met

The conditions set out below must be met in order for the charitable organisation to receive the full amount of the donation made using pre-paid phone credit without a VAT deduction.

- The charities involved, the mobile operators, and any other party supplying services to support the process must be in agreement in respect of the transaction set-up. The agreement between the parties involved should be available in writing.
- The mobile operator must be able to clearly identify the appropriate transactions in their records in order to verify the VAT status of amounts treated as contributions to charity.

- The mobile operator must be able to identify all the messages received and the amount of each donation to the charity concerned. The records should include a system reference for the donation, volumes of texts received and values to individual charities.
- The mobile operator must be able to confirm that the monies have been paid in full to the charity, or to an aggregator acting on behalf of the charity. Where an aggregator is acting on behalf of the charity, the aggregator is required to provide an undertaking to the mobile operator that the money will be paid over to the charity in full.
- The mobile operator must obtain the CHY number of the charity, and retain the CHY number in its records.

A more recent version of this manual is available.