

Charities VAT Compensation Scheme Guidelines for Charities Manual

Document last reviewed February 2021

Table of Contents

1	Introduction	3
1.1	This manual	3
1.2	VAT Compensation Scheme overview	3
1.3	Revenue website	3
2	Qualification to make a claim.....	3
2.1	Qualifying criteria	3
2.2	Period for which a charity may make a claim	3
2.3	Income and expenditure	4
3	Calculation of the claim.....	4
4	Total income in respect of claims.....	4
5	Qualifying income in respect of claims.....	5
5.1	Qualifying income.....	5
6	Qualifying expenditure.....	6
7	Qualifying tax	7
8	Claim amount or eligible tax	7
8.1	The amount which may be claimed under the scheme or eligible tax.....	7
9	Submitting a claim.....	8
9.1	What you need to submit a claim.....	8
9.2	How to submit a claim	8
9.3	Guide to submitting a claim on ROS	8
9.4	Details to support a claim.....	9
9.5	Calculation	10
9.6	Review of claims	10
9.7	Payment.....	11
10	Queries	11

1 Introduction

1.1 This manual

This Tax and Duty Manual contains information and guidance for charitable bodies in respect of the Charities VAT Compensation Scheme.

1.2 VAT Compensation Scheme overview

To reduce the VAT burden on charities and to partially compensate for VAT paid in the day to day running of the charity, a VAT Compensation Scheme for charities has been introduced. The scheme applies to tax paid on expenditure on or after 1 January 2018 and so VAT paid in years prior to that cannot be claimed. Refunds will be paid one year in arrears.

A total annual capped fund of €5m is available for payment under the scheme, and the scheme will be subject to review after three years. Charities will be entitled to claim a refund of a proportion of their VAT costs based on the level of non-public funding they receive. Where the total amount of eligible claims from all charities in each year exceeds the capped amount, claims will be paid on a pro rata basis.

1.3 Revenue website

Information on the Charities VAT Compensation Scheme is available on the Revenue website at [VAT Compensation Scheme for Charities](#)

2 Qualification to make a claim

2.1 Qualifying criteria

To be a qualifying charity for this scheme, a charity must at the date of claim and at the time that the qualifying expenditure was incurred:

- be registered with Revenue and hold a charitable tax exemption (CHY) under section 207 Taxes Consolidation Act (TCA) 1997
- be registered with the Charities Regulatory Authority (CRA).

2.2 Period for which a charity may make a claim

Claims should relate to one calendar year only and can be submitted up to 30th June of the year following the calendar year to which the claim relates.

2.3 Income and expenditure

It is important to note that any reference to income received or expenditure paid is to actual monies received and paid out in the calendar year to which the claim relates. The scheme operates on a cash basis. This means that if a charity orders goods and services in Year 1 and does not pay for them until Year 2, the amount due to be paid cannot be included as expenditure of Year 1.

3 Calculation of the claim

The amount which a charity may claim in this scheme, known as the claim amount, is calculated with reference to income and expenditure. The amount must be calculated subject to the expenditure being “qualifying expenditure” (see section 6) and based on the proportion of privately funded income to publicly funded income, which is known as “qualifying income” (see section 5).

The sections that follow describe how to calculate the claim amount and are based on the following example:

Example

In 2018, a charity receives total income of €37,000 from the following sources:

- **Government grants of €2,000,**
- **Donations of €25,000,**
- **Donations from a flag day of €10,000.**

The charity also has total expenditure in 2018 of:

- **€24,600,**
- **of which €2,460 is for non-charitable purposes.**

4 Total income in respect of claims

Total income is all income received by a qualifying charity in the year to which the claim relates, excluding:

- amounts collected for and transferred directly to another charity* and
- any loans to a charity

* where funds have been collected by one qualifying charity for another qualifying charity, only the receiving charity can include those funds in the claim calculation. Where such funds are collected on behalf of another charity, those funds should not be included by the collecting charity in the calculation of its Total Income or Qualifying Income.

Funding or payments received from all sources should be added together to calculate the total income figure.

Charities must exclude from both Total Income and Qualifying Income any funding received directly or indirectly from the State or from a public body where that funding is simply for onward transfer to other bodies or individuals. The funding in these cases is not reflected as income in the financial statements of the charity and the charity's role is simply to manage and transfer the funds onwards as set out in the agreement with the transferring body.

For example, the State may provide funding to a charity to administer a housing support scheme and these funds are managed by the charity who pay the landlord directly. This funding is not regarded as being income in the financial accounts of the charity, they are merely receiving and transferring the funds onwards so should not be included in the Total or Qualifying Income calculations.

Where the charity receives payment from the State or the public body for processing these funds, this payment should be included in Total Income but excluded from Qualifying Income calculations.

In cases of doubt, please contact Charities and Sports Exemption Unit at 01738 3680.

5 Qualifying income in respect of claims

5.1 Qualifying income

The proportion of a charity's income that is privately funded is known as "qualifying income". This excludes publicly funded income.

To calculate qualifying income, a charity should deduct from its total income for the year to which the claim relates, all or any of the following, if applicable:

- refunds or reliefs received under any other scheme or legislation administered by the Revenue Commissioners e.g. VAT Compensation Scheme, Charitable Donations Scheme
- educational fees received if the charity is a school, university, institute of technology or educational establishment (charities not included in these categories, but which received educational fees are considered as educational bodies for that portion of their activities and must exclude any such fees received from their total income)
- income from shops, restaurants and retail outlets
- income collected for and transferred to another charity
- funding, refunds, and reliefs received directly or indirectly from:
 - the State, a public body, State bodies, bodies established by statute or bodies which received that funding directly or indirectly from the State

- the European Union or European Union bodies or from bodies which received that funding directly or indirectly from the European Union
- the public funding of any Member State of the European Union, or from a body which received that funding directly or indirectly from the public funding of a Member State of the European Union
- international organisations which received that funding directly or indirectly from the public funding of any country or from a body which received the funds from an international organisation which previously received that funding directly or indirectly from the public funding of any country.

Some examples of non-qualifying income are:

Charitable Donations and	Charities VAT Compensation Schemes refunds
County Council grants	CAS funding (not repayable)
Pobal funding	Charity shop income
HAP payments	HSE Fair Deal payments*
CES payments	RAS payments
Café Income	

This is not an exhaustive list and is for guidance purposes only.

Paragraph 4, which sets out the circumstances where some of the above-mentioned funding should also be excluded from the Total Income calculation.

*Funding for nursing home care which comes from the HSE cannot be regarded as Qualifying Income, however, payments from private citizens for such care may be included as Qualifying Income.

Where a charity making a claim is in receipt of a grant and is unsure regarding this aspect of the claim calculation, the applicant charity should contact Charities and Sports Exemptions Unit staff who will assist further. Telephone 01 738 3680.

In the example above, the total income for the year is €37,000 and qualifying income is €35,000 – total income less Government grants of €2,000.

6 Qualifying expenditure

Expenditure in respect of which a VAT refund may be sought under this scheme is described as “qualifying expenditure”. Conditions apply to the calculation of qualifying expenditure:

- compensation may be sought in respect of VAT which was paid in the State on certain expenditure and in the year to which the claim relates

- that expenditure must have been for goods or services used by the charity only for its charitable purpose
- if a charity is entitled to receive any kind of relief, refund, repayment or deductibility under any other scheme or legislation administered by Revenue, it may not include that amount in the calculation of a claim.

In the example above, as non-qualifying expenditure for the year to which the claim relates is €2,460, qualifying expenditure is €22,140.

7 Qualifying tax

“Qualifying tax” means the VAT that has been paid by the claimant in respect of qualifying expenditure.

So, to continue with the example from above, and if qualifying expenditure of €22,140 includes VAT paid in the amount of €4,140, then qualifying tax is €4,140.

8 Claim amount or eligible tax

8.1 The amount which may be claimed under the scheme or eligible tax

The claim amount is referred to as “eligible tax” in the legislation and is the amount which a charity may claim under the scheme i.e. the amount which is eligible to be claimed based on the level of non-public funding received. It is determined by a formula set out in legislation as follows:

“qualifying tax” X (“qualifying income”/” total income”)

To continue with the example above, this would mean that the claim amount or “eligible tax” is:

$$\mathbf{€4,140 \times (\mathbf{€35,000}/\mathbf{€37,000}) = \mathbf{€3,916.21}}$$

A charity which meets the qualifying criteria in paragraph 2, may therefore submit a claim for €3,916.21 for that year.

The minimum claim which may be submitted is €500, so claims less than this will not be accepted. Also, the total annual amount available to be paid out under the scheme is capped at €5 million, so the amount which may be paid to a charity depends on the total value of claims from all eligible applicants. Consequently, Revenue may pay individual charities less than the amount that they claimed.

9 Submitting a claim

9.1 What you need to submit a claim

Charities wishing to submit a claim must comply with the criteria already described above. The following will be required to submit a claim:

- tax registration number issued by Revenue
- bank account details
- Registered Charity Number (issued by the Charities Regulatory Authority).

It should be noted that a claimant must hold a current tax clearance certificate when making a claim.

9.2 How to submit a claim

Claims for VAT compensation must be submitted through e-Repayments on Revenue's Online System (ROS). Charities must be registered for ROS to submit a claim. To become a ROS customer, go to Useful Links on www.Revenue.ie and select Register for ROS. The following conditions also apply:

- claims and any supporting documentation must be submitted in the format required, and in accordance with the deadlines specified by Revenue
- claims can be submitted between January 1st and June 30th in the year following the year to which the claim relates
- **claims submitted after the June 30th deadline will not be accepted under any circumstances**
- claims can be submitted annually for one calendar year and should relate to VAT paid in the previous year only
- claims may be amended up to 30th June of the year of claim submission but not afterwards
- the minimum amount that can be claimed is €500 and the minimum repayment is €5
- claimants must declare and certify that all information they provide for the purposes of the claim is correct.

A claim can be made by a charity directly or an agent can make a claim on behalf of a charity. For an agent to make a claim on behalf of a charity, the agent must be linked to the charity on Revenue's records. If an agent is not already linked to the charity, they can link to any existing tax head under agent services in ROS.

If, for some reason, an option does not appear in ROS for a charity to submit a claim on ROS, they should contact Charities and Sports Exemption Unit at 01 738 3680.

9.3 Guide to submitting a claim on ROS

- log into ROS at www.ros.ie
- input password and Login

- on “My Services” Tab Scroll to page end
- under “Other Services” select “eRepayment claims” and Make a Claim
- to amend an existing claim select “Manage a Claim”
- select “VAT-Value Added Tax” and Continue
- select a “claim type”; Charities VAT Compensation Scheme and Continue
- review details in Overview and Continue
- select “Claim details”, complete all fields and Continue
- attach any required supporting documentation and Continue
- select “Bank Details”, input bank details for refund and Continue
- select “Summary” and Review details
- complete declaration and select “Submit”
- enter password and select “Sign and Submit”.

A notice number will issue if the file upload is successful. If a file does not upload successfully an error message will appear indicating that there was a problem processing the claim and advising to try again later. This will be followed by an error id number.

The status of a claim can be viewed by the claimant in ROS.

9.4 Details to support a claim

The following may be requested to support a claim:

- detailed breakdown of total income, qualifying income and qualifying expenditure
- VAT records which form the basis for the claim e.g. invoices, receipts etc.
Charities must retain all books, records and documents relevant to the claim for a period of 6 years
- evidence that the goods and services on which they are claiming VAT were applied to their charitable purpose
- evidence that the VAT for which they are seeking a refund was paid in the year to which the claim relates
- evidence that the income on which their calculation is based was received by the charity in the year to which the claim relates
- a most recent set of audited accounts. These accounts must be for the charity’s financial year and the year end of the financial year must be the year to which the claim relates or the year in which the claim is being made
- evidence that the charity was not entitled to a deduction or refund of the tax being claimed under any other legislation administered by Revenue
- evidence of compliance with all the obligations of the VAT Consolidation Act 2010, the Taxes Consolidation Act 1997, the Stamp Duties Consolidation Act 1999 and secondary legislation made under these Acts.

9.5 Calculation

The annual amount available under the scheme is capped at €5m, so the amount to be paid out to each qualifying charity is calculated having regard not only to the amount claimed, but also to the annual amount available to the scheme.

The pay-out calculation will take place once annually and it will not be possible to recalculate the payments or accept late applications.

9.6 Review of claims

Claims will be subject to review. In this regard:

- claimants should ensure that all supporting documentation is retained and produced to Revenue within the timeframe requested
- claimants should ensure that they have complied with all the obligations of the VAT Consolidation Act 2010, the Taxes Consolidation Act 1997, the Stamp Duties Consolidation Act 1999 and secondary legislation made under these Acts
- where Revenue is satisfied that the claim is in order, it will be processed further
- where review documentation is not submitted or is not in order, a claim cannot be processed further
- Revenue may reject a claim
- Revenue may make any changes considered necessary to any claim, including changes to the amount of total income, qualifying income or amount of eligible tax being claimed. Claimants will be advised if this occurs and the reasons for any changes will be explained.

9.7 Payment

The following should be noted regarding payments issued under this scheme:

- where the total amount of claims in each year exceeds the capped amount, any refunds due will be paid to charities on a pro rata basis
- Revenue is not obliged to refund the full amount, or any amount claimed
- any refunds due to charities will be paid through Revenue's e-Repayments system
- it is expected that payment will be made no later than October of the year of submission of a claim
- claimants will receive a message in their ROS Inbox providing details of any payment due
- payments will be made by Electronic Fund Transfer unless an error in the bank details provided causes the payment to reject. In this case a cheque will issue.

It should be noted that where a charity submits a claim under the scheme, the Secretary or the trustee who makes the claim on behalf of the charity is responsible, along with the charity, for complying with the conditions of the scheme.

Revenue may seek a repayment of an amount paid over or can deduct it from any future payments due to the charity from Revenue if it finds that:

- the charity failed to comply with the conditions of the scheme or
- was not entitled to all or any part of the refund.

10 Queries

Any questions regarding the contents of this Manual can be directed to Revenue's Charities and Sports Exemptions Unit. Telephone: 01 738 3680