CFG Consultation response

VAT on donated goods

Clare Mills, 18 July 2025

This is a consultation to seek views on the design and introduction of a VAT relief for goods donated by businesses to charity to give away free of charge to those in need or use in the delivery of their services.

The Government recognises the current VAT rules, which relieve VAT on goods donated to charity for sale (for example through a charity shop), but not for onward donation or the delivery of the charity's services, are not aligned. These rules were designed to protect against fraud in the VAT system, so we intend to explore options to align the rules without compromising the security of the VAT system.

Responses to the consultation should be submitted no later than 23:59 on 21 July 2025.

Summary of questions

Question 1: Are you responding as:

o A charity (registered or unregistered) or charitable incorporated organisation (CIO)

Question 2:

N/A

Question 3:

If you answered ‘a charity’, please provide details in relation to:

o The size of your charity (e.g. total income, number of employees)

Income: £1.82m, employees: 25

o Your charitable aims and functions

As a charity infrastructure body, and a membership organisation, CFG supports other charitable and social purpose organisations. We do this via our services, resources, information and communities. We aim to place finance at the heart of every organisation by championing best practice, nurturing leadership and influencing policy makers. We provide membership resources, including helplines, publications and discussion forums as well as an extensive programme of events and training.

o Where your charity is established (e.g. UK, Isle of Man, another country (if so, please specify the country)) and where the individuals benefitting from your charity are located if different

CFG is a limited company registered with Companies House (No. 03182826), registered as a charity in England and Wales (No. 1054914) and registered as a charity in Scotland (No. SC052037). We work across the UK and also deliver some services in Ireland.

o Whether you currently receive business 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

No, we do not currently receive donations of goods

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

o The size of your organisation

Income: £1.82m, employees: 25

o Your organisation's aims and functions

As a charity infrastructure body, and a membership organisation, CFG supports other charitable and social purpose organisations. We do this via our services, resources, information and communities. We aim to place finance at the heart of every organisation by championing best practice, nurturing leadership and influencing policy makers. We provide membership resources, including helplines, publications and discussion forums as well as an extensive programme of events and training. Between them, our charity members manage around 1/3 of the UK's annual charity income (approx. £20bn).

o Where your organisation is established (e.g. UK, Isle of Man, another country (if so, please specify the country))

UK

o 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

No, we do not currently receive or give away donations of goods

Question 5: If you are currently either donating goods or receiving donations, please provide details of your operating model:

- How many and what types of organisation are involved in the end-to-end process of donating and giving out goods?
- What is your role in the process?
- Do you either charge a fee or price of any kind on donations as a business, or pay a fee to receive donations as a charity? Does this enable you to access the existing VAT relief on goods donated for sale?
- How permanent or formal are the relationships with the other parties in the operating model? For example, are relationships ongoing or one-off basis? Are there written or verbal agreements in place with other parties?

Do you carry out any checks before you start working with them and/or on an ongoing basis?
- Are there parts of the donation-to-distribution chain which are not visible to you (for example, if you are a business, do you know what happens to the goods once you have delivered them to the charity)?
- How are suitable end-recipients to receive donations identified and reached (for example, are there criteria or referral systems in place and how do these work, or do you use a purely walk-in system)?
- Are intermediaries or referring organisations involved in identifying or distributing goods to end-recipients? If so, are these intermediaries charities, other types of organisations or individuals, and how do you choose which intermediaries you work with?

CFG does not donate or receive donations of goods.

Question 6: Would you use a relief on goods donated to charity to give out free or charge or use in the delivery of their services?

- Please provide as much detail as possible.

CFG does not donate or receive donations of goods.

Question 7: Would the proposed relief encourage donations?

- Please include detail on volume or value of donations that this proposal would encourage

We believe that the proposed relief would encourage an increase in donations of goods to charity, for use by the charity and for passing on to those in need. The relief would ensure that donating goods is more straightforward by eliminating:

- The need to demonstrate the calculations around the value of goods donated
- The need to carry out VAT calculations on the value of the goods donated
- The perceived risk to businesses of ‘getting it wrong’

Larger businesses may currently feel confident in donating goods and carrying the VAT burden but this is a disincentive to smaller businesses.

In some cases goods may not be donated because the VAT cost is greater than the cost of sending surplus goods for landfill or other disposal.

If implemented, the relief needs to be straightforward to understand and apply, placing the minimum burden on businesses. We would like to see this relief introduced to encourage businesses to give to charities, to reduce waste and keep useable goods out of landfill, and to ensure that those in need can receive greater support.

We would also want to see the development of guidance co-designed with the charitable sector. Without this, charities risk receiving unusable items they can't store or dispose of properly, and potential increase in costs for storage and/or disposal with no positive impact on beneficiaries or the organisations concerned. To ensure donations reduce environmental harm and increase social benefit, items must be safe, relevant, and manageable for distribution, and charities must have the option of saying no to donations.

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

We believe that implementing the proposed relief will encourage businesses to donate goods to charity that otherwise would be destined for landfill, and that this will support the circular economy.

Question 9: What is the average value of individual items you donate or receive?

- If you donate surplus or end-of-life stock for charities to give away free of charge, how do you calculate the value of the stock to determine the VAT due?

CFG does not donate goods to charity. We anticipate that Charity Tax Group (CTG) will have a better response to this question.

Question 10: If a value limit was put on individual items donated, what would be a suitable maximum value?

A value limit would be a way to ensure that the goods donated are of lower value, to reduce the risk of fraud and diversion in such goods away from the intended end user i.e. people in need. However. having a monetary value limit adds in a layer of complexity which would create a barrier for some donors.

If a limit is to be introduced, care needs to be taken to where such a limit would be set. Many goods already donated to charity are low value items or do not attract VAT e.g. food, period products, nappies. However, VAT does apply to many lower value items including personal hygiene and home hygiene products, clothing for adults, home textiles, stationery, toys and games, and so on. These would, generally, not be affected if the maximum value was set at e.g. the suggested figure of £100.

However, we would argue that instead of implementing a value limit, relief should also be available on higher value items that will help people in need, such as white goods (cookers, fridges, vacuum cleaners, etc), furniture and soft furnishings, bicycles and so on. Such goods do have greater value but could make a great deal of difference to people who are struggling to cook and store food safely, clean their clothes and their homes, or travel to work.

Higher value goods might also include computing equipment and mobile phones. These goods can be a lifeline for people whose lives have been disrupted, such as people escaping from domestic abuse/violence or impacted by flooding. Digital exclusion is also a challenge for some people and communities. Donated computers, phones and broadband devices can help people overcome isolation and loneliness, continue with education and/or move into the labour market, as well as connecting with digital services from DWP, NHS, HMRC etc.

More broadly, there is complexity and a range of approaches to valuation of surplus goods. When considering surplus stock, a donor could use the retail price, the original cost, the book value, or an estimate of the market value. We believe donors would prefer certainty in the method of calculation. However,

this could be avoided if there were no value limit on donations, in the same way that there is no limit on donations for resale.

There is also a tendency for value limits to be set and then remain fixed (e.g. HMRC's approved mileage rates have not changed since 2011 despite significant changes in the cost of motoring). If such a value limit were introduced, we believe that it should be reviewed at least every three years and then adjusted in line with inflation. This would ensure that the original intention was protected and that businesses continued to be able to donate surplus goods more easily than at present.

Overall, though, we do not believe there should be a value limit set on donated goods. If the relief is implemented and the government wishes to place some restrictions, then excluding certain classes of goods would be simpler for businesses to understand and apply, and for charities to support donors wishing to provide goods.

Question 11: What types of goods do you donate or receive (e.g. hygiene products, clothes) and what is the status of the goods (second hand, new stock, end-of-life stock, business returns)?

- Any details of the types of goods you donate or receive would be helpful

CFG does not donate or receive goods.

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

- Please also list goods it would be problematic to exclude from the relief if relevant

In general, we believe that the creativity of charities means that any goods could be put to good use, either by passing them on to people in need or in the operation of those charities.

Limiting VAT relief to goods donated solely for distribution to those in need could reduce the overall social impact. Charities report rising demand due to

more people seeking help for the first time, increasingly complex needs, and gaps in local services. At the same time, many charities are facing shrinking income from grants, public donations, and individuals, leaving them with fewer resources and tighter budgets just when their support is most critical.

If a restriction is to be a part of the implementation, we suggest that the government should consider limitations on items and substances which are most widely open to abuse such as alcohol, tobacco and vapes, and/or items which would have a high resale value such as luxury goods (but bearing in mind the discussion of higher value items at Q10) to reduce the risk of fraud.

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?

CFG believes that simplicity is the most effective way to encourage businesses to donate goods to charities. If the relief is implemented, any list of exemptions or value limit needs to be clearly communicated and straightforward to comprehend and apply. Our preference would be for no value limit and no exemptions, to keep things simple. If there had to be one restriction, a list of exempted goods would be more straightforward than the value limit, due to the complexity and wide range of models that could be used to calculate the value of goods.

Question 14: For what purpose do you use donations; to give away to those in need, use in the delivery of services, or another purpose?

- Please specify details of goods used in the delivery of services of for another purpose

CFG does not donate or receive goods.

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?

The current VAT responsibility falls on the donor, but there is no way for the donor to guarantee how the goods are used by charities.

There may be circumstances when goods are donated and can be used for charitable activities in a number of ways. One example would be laptops: these could be passed on to people in need of a laptop or used by the charity in their ongoing operations. Should VAT apply differently in these cases? And if the VAT calculation is completed by the donor, they will require complex reporting back from the charity to ensure they apply the VAT relief correctly. This is an increase in risk for the donor and in administration for the charity, which could well have the effect of reducing the prospect of donations of useful goods.

It would be simpler to treat all donations of goods to charities in the same way and provide relief from VAT regardless of whether goods are intended for resale, onward donation to people in need (or other charities) or for use in the delivery of a charity's services.

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?

CFG does not donate or receive goods.

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?

CFG does not donate or receive goods.

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?

One of the key questions in this consultation is around the prevention of fraud and abuse of a VAT relief.

Currently, HMRC sets out criteria by which an organisation can be recognised as a charity for tax purposes. CFG would suggest that this method should be applied in relation to recipients of goods donated. If an organisation is registered as a charity for tax purposes, then donations of goods to that organisation by a business should qualify for the VAT relief, if this is implemented. We believe this would protect the relief from abuse and/or fraud, in the same way that HMRC protects Gift Aid from abuse/fraud.

If the relief is implemented and there is ongoing demand for an extension of the relief to organisation which HMRC does not recognise as charities, widening the scope of the relief could be considered.

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

- As an un-registered charity, would you be able to provide HMRC with assurance against the risk of fraud in the form of records and accounts in the absence of formal registered charity status?

Charity registration across the UK is the remit of the Charity Commission for England and Wales and the Office of the Scottish Charity Regulator. However the Charity Commission for Northern Ireland is fairly early in the process of creating a register of charities. Charities in Northern Ireland are identified as such by CCNI if they are deemed eligible for Gift Aid by HMRC.

Registration does not provide the entire picture of an organisation and its purpose. CFG would prefer that the relief, if implemented, is available to any organisation which meets HMRC's criteria for recognition as a charity for tax purposes.

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?

- If you're not a registered charity, would you be able to demonstrate a poverty relief objective?

Due to the rising need for charitable services and support, and the increasing complexity of the challenges people are facing, CFG does not feel it would be appropriate to limit the relief to only those organisations with a poverty relief objective. People may come into contact with all sorts of charities and demonstrate need.

For example, a veteran who has been in prison and is now homeless, with a drug abuse issue, poor mental health and a physical disability could connect with any number of charities. Charities operate in every aspect of life and are well-placed to understand the needs of the people and communities they serve. They are best placed to identify goods that would be of use to their beneficiaries.

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?

This should be a requirement for obtaining the VAT relief, in the same way that records need to be held for any VAT reclaim.

Question 22: If you currently donate goods to be given away free of charge what records do you keep?

CFG does not donate or receive goods.

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

Our only concern would be asking the businesses to calculate the value of the donation, as previously covered in our response to Q10. There are many approaches to valuation of surplus goods. When considering surplus stock, a donor could use the retail price, the original cost, the book value, or an estimate of the market value.

The other records required seem sufficient.

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

- Do you have views on other means for a business to seek assurance that the charity will use the goods for the intended purpose?

We believe this would be helpful. We understand that Charity Tax Group have provided more detail on this point, and we would concur with CTG's views.

Question 25: If you are a charity which receives donations, what records, if any, do you keep on total donations, and individual recipients of donations?

CFG does not donate or receive goods.

However, we would like to draw your attention to the Charities SORP. The issue of recording and accounting for goods donated is covered in Module 6 (Donated goods, facilities and services, including volunteers) of the Charities SORP, the Statement of Recommended Practice for charity accounts which is applicable to charities with an annual income of or over £250,000. This includes goods donated for the use of the charity, goods donated for passing on to beneficiaries, and goods donated for resale.

The new edition of the Charities SORP is due to come into effect for financial years beginning on or after 1 January 2026. Changes to this Module are expected to be limited in scope, concerned with ensuring consistency with FRS 102, and with the aim of improving clarity of reporting

Charities with an annual income under £250,000 are not required to follow the SORP although they can opt to do so.

Question 26: What is the scope for limiting the total value of donations an individual receives, or putting in place eligibility criteria for recipients such as the receipt of welfare support? Do charities keep records of the value of donations individuals receive which could be used to facilitate a limit on the total value of donations? Do charities hold information on the recipients of

donations, such as whether they receive welfare support, and if not, would it be possible to collect this information?

Charities that work directly with people and communities in need would be better placed to answer this question.

From CFG's perspective, this sounds complex and likely to increase the administrative burden on charities. Operationally, tracking product values would increase administrative burdens, slow response times, and potentially create stigma. Requiring charities to monitor who receives what, and whether they receive benefits, could deter people from seeking help and raise GDPR concerns around storing sensitive personal data.

This restriction also undermines the principle of meeting people's actual needs. We believe that charities can be trusted to understand their communities and tailor support accordingly. Some individuals require more intensive, long-term help, and placing a cap on the value of items they can receive could damage trust and leave needs unmet.