

Charities VAT Compensation Scheme Guidelines for Charities Manual

Document created December 2018

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
3	Calculation of the claim	4
4	Qualifying income in respect of claims	5
4.1	Qualifying income	5
5	Qualifying expenditure.....	6
6	Qualifying tax	6
7	Claim amount or eligible tax	6
7.1	The amount which may be claimed under the scheme or eligible tax.....	6
8	Submitting a claim	8
8.1	Conditions	8
8.2	How to submit a claim	8
8.3	Guide to submitting a claim on ROS.....	9
8.4	Details to support a claim	9
8.5	Calculation.....	11
8.6	Review of claims.....	11
8.7	Payment	11
9	Queries.....	12

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 will be paid one year in arrears. In 2019, therefore, charities may be able to reclaim some element of the VAT paid in 2018. VAT paid in or prior to 2017 cannot be claimed.

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 Commissioners' website.

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 may 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 having regard to a number of factors relating to income and expenditure. The amount must be calculated subject to the expenditure being “qualifying expenditure” (see 5 below) and based on the proportion of privately funded income to publicly funded income, which is known as “qualifying income” (see 4 below).

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 Qualifying income in respect of claims

4.1 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 must first calculate the total income it received during the year to which the claim relates. If a charity received funding or payments from a range of sources in the year to which the claim relates, they must be added together to get the figure for total income received in the year to which the claim relates.

In the example above, the total income for that year is €37,000.

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:

- educational fees received if the charity is a school, university, institute of technology or educational establishment,
- income from shops, restaurants and retail outlets,
- refunds or reliefs received under any other scheme or legislation administered by the Revenue Commissioners,
- 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, or
 - another qualifying charity.

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.

5 Qualifying expenditure

Expenditure in respect of which a VAT refund may be sought under this scheme is described as “qualifying expenditure”. A number of 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 which was paid for in the year to which the claim relates. That expenditure must have been for goods or services which were 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, they may not include that amount in their claim under the VAT Compensation scheme.

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

6 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.

7 Claim amount or eligible tax

7.1 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.

It is important to note that 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.

8 Submitting a claim

8.1 Conditions

Charities wishing to submit a claim must meet the criteria already described above and meet the additional conditions below. They must:

- hold a current Tax Clearance Certificate
- retain VAT records that form the basis for the claim e.g. invoices, receipts etc. for 6 years and may be sought by Revenue at any time
- have evidence that the goods and services on which they are claiming VAT were applied to their charitable purpose
- satisfy Revenue that the VAT for which they are seeking a refund was paid in the year to which the claim relates
- have evidence that the income on which their calculation is based was received by the charity in the year to which the claim relates
- 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
- provide, if requested by Revenue to do so, their 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
- show, if requested by Revenue to do so, that they were not entitled to a deduction or refund of the tax being claimed under any legislation administered by Revenue.

8.2 How to submit a claim

Claims for VAT compensation must be submitted through Revenue's Online System (ROS) with repayments being made through Revenue's e-Repayments system. A ROS log in is required to submit a claim via ROS. To become a ROS customer, go to "Useful Links" on www.Revenue.ie and select "Register for ROS". The following 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 can be submitted annually for one calendar year only 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, in line with existing VAT legislation, 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. In order 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 an 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 Unit at 01 738 3680.

8.3 Guide to submitting a claim on ROS

- log into ROS at www.ros.ie
- input password and Login
- on My Services Tab Scroll to bottom of page
- select Under Other Services / eRepayment claims
- to file a new claim select Make a claim
- to amending 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 to ensure all information is to hand to proceed with claim and Continue
- select Claim details, complete all fields and Continue
- attach required supporting documentation and Continue
- select Bank Details, Input bank details for refund and Continue
- select Summary and Review details. There is an option to edit or attach here if necessary
- select the declaration and Submit
- enter password and select Sign and Submit.
- a notice number will issue if file uploaded successfully.

8.4 Details to support a claim

The following **will be** required to submit a claim:

- tax registration number granted by Revenue
- written Declaration from CEO or Chief Financial Officer of the claimant charity as to the validity of a claim. This should be completed on the charity's headed paper.
- bank details.

It should be noted that a claimant must hold a current Tax Clearance Certificate when making a claim and at the time of payment of an approved claim.

The following **may be** requested to support a claim and so should be available at Revenue's request:

- supporting documentation detailing VAT incurred and paid e.g. invoices, receipts etc.
- documentary evidence, or otherwise to establish to the satisfaction of Revenue that the goods and services in respect of which the qualifying expenditure was paid, were applied by the charity only to its charitable purpose
- letter from CRA confirming registration (RCN)
- the most recent set of audited accounts. These accounts must be for the financial year of the charity 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
- records that form the basis for the claim must be retained by the claimant for 6 years.

Note: If a file does not upload successfully an error message will appear informing that there was a problem processing the claim and advising to try again later. This will be followed by an error id number.

In addition, the status of a claim can be viewed by the claimant in ROS.

8.5 Calculation

The annual amount available under the scheme is capped, 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 total annual amount available under the scheme and the total value of claims from all eligible applicants.

The pay-out calculation will take place just once annually and due to various factors involved in the repayment process, it will not be possible to recalculate the payments or accept late applications.

8.6 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 when requested
- if Revenue is satisfied that all is in order, the claim can be progressed
- where review documentation is not submitted as requested, or is not in order, a claim cannot be processed further
- Revenue may reject a claim
- Revenue may make any changes they consider necessary to any claim, including changes to the amount of eligible tax being claimed. Claimants will be advised if this occurs and the reasons for any changes will be explained
- regarding VAT invoices, the date eligible payment was made is the relevant date for the purposes of a claim under the scheme.

8.7 Payment

- 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 November of the year of submission of the 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 refund 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.

9 Queries

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