

VAT – A Charity Viewpoint

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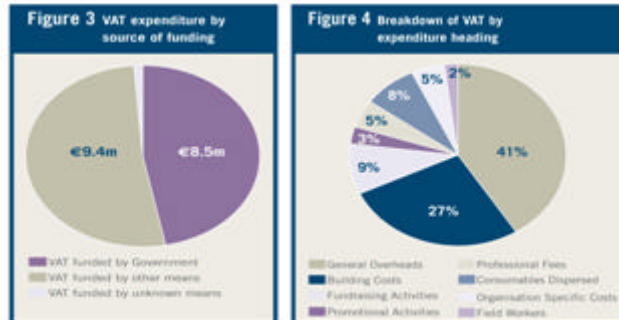
The meaning of words - Exemption

- Charities in Ireland (like other countries) are exempt from many taxes:
 - Income tax
 - Corporation tax
 - Capital Gains Tax
 - Deposit Interest Retention Tax (DIRT)
 - Capital Acquisitions Tax
 - Stamp Duty
 - Dividend Withholding Tax
- In all these cases “exemption” means that the charity does not have to pay the tax

When is an exemption not an exemption?

- Charities are “exempt” from VAT under the Sixth VAT Directive but in this case “exemption” means that charities have to pay VAT that they can’t recover!!
- The principle of encouraging the work of charities by exempting them from paying taxes is turned on its head in relation to VAT
- This results in serious human costs for charity client groups – children, old people, the disabled etc

VAT and Charities Ireland – 2001 the € Cost



The Human Cost of VAT

3 Examples

- Concern - a large overseas development charity
- Respect – a medium sized disability charity
- The Well Woman Centre – a small charity dealing with womens' health

The Human cost of VAT for Concern

- Last year paid out €1.5 million in VAT
- Total cost of country programme in Rwanda was €1.6m
- Concern could have doubled their programmes in Rwanda in 2005 with their VAT payments
- The Human Cost – the people, mostly children in Rwanda who didn't get this support for "childrens' survival and primary education"

The Human Cost of VAT for Respect

- Cares for 2,300 people with a disability – 800 in full time residential Care
- Building 9 purpose built houses for 54 seriously intellectually disabled people
- Cost = €12.5m
- VAT on building alone = €1.5m
- Vat on fundraising = €20k (2005)
- Human Cost = up to 9 people who need a house won't get it!



The Human Cost of VAT for The Dublin Wellwoman Clinics

- €50,000 paid in VAT
- Total expenditure = €1,624,000
- VAT Bill would pay for an osteoporosis scanner for one of their clinics
or
would fund an Education Officer and programme for one year

Where does the solution lie?

- National Grant Schemes to compensate charities for the VAT they pay?
- EU level – Zero rates to allow charities to reclaim their input VAT?
- Charities are sent from pillar to post, from the EU Commission to National Governments and back again!
- The Human Cost of VAT makes a solution imperative – VAT is a “creeping tax” and the costs keep going up!!
- Since the EU caused the problem it has to be part of the solution