



VAT Policy Corner

Policy 11 VAT and Charitable Organisations

The following forms the guiding principle with respect to **charitable organisations**. These organisations are exempt for the purposes of VAT.

According to **Section 2 of the VAT Act**:

“charity” means an association not for gain, including an institution of religious worship, a charitable organization, or any other society, association, or organization, whether incorporated or not, that–

(a) is carried on otherwise than for the purposes of profit or gain to any proprietor, member, or shareholder; and

(b) is, in terms of its memorandum, articles of association, written rules, or other document constituting or governing its activities–

(i) required to use any assets or income solely in the furtherance of its aims and objects; and

(ii) prohibited from transferring any portion of its assets or income directly or indirectly so as to profit any person other than by way of (1) the provision of charitable assistance, or (2) the payment in good faith of reasonable remuneration to any of its officers or employees for any services actually rendered to it; and

(iii) upon its winding-up or liquidation, obliged to give or transfer its assets remaining after the satisfaction of its liabilities to another society, association or

organization with objects similar to those of the first-mentioned society, association, or organization;

Schedule II paragraph 2 (e) of the VAT Act provides for the exemption of the following:

“A supply of any goods or services by the State, a local authority, or a charity where the consideration for the goods or services is nominal in amount or not intended to recover the cost of such goods or services.”

Therefore, where it can be concluded that an organization is a charitable organisation that can benefit from the provisions of ***Schedule II paragraph 2 (e) of the VAT Act***.

Where a charitable organization supplies goods and services for which consideration is nominal in amount or not intended to the recover the cost of the goods and services, those goods and services are exempt from VAT. This means that the persons benefiting from the supplies will not be required to pay VAT.

However, where an organisation is exempt for VAT purposes, they cannot be registered for VAT. As a consequence, claims for input tax credits cannot be made, and VAT incurred would be a cost to the organisation. That is, you will be required to pay VAT on goods and services acquired.

Persons who still have queries with respect to VAT are encouraged to write to the Commissioner, VAT and Excise Tax Department, 210'E' Albert and Charlotte Streets, Bourda for clarification.