

VAT and charities

Why

1

- Each legal system is determined by ethnical, cultural and social-political context of the society in which it has to work ~ Montesquieu
- Ancient Greek: people were required by Marcus Tullius Cicero to help the needy by giving
- Middele Ages: patronage relationship
- Now a days: donations and volunteering by the private sector & several tax incentives to support tax incentives and providing grants by legislatures

Current VAT system

2

- Limited fiscal sovereignty of member states
 - Exemptions
 - Reduced rates
- Deduction of the charged VAT
- Wide taxability

Problems

3

- Charities are always confronted with VAT
- Charities charge VAT so the net income is lower
- VAT charged to the charity can not be deducted

Problem causes

4

- No special schemes for charities
- Evaluating the activities and not the person that performs the activities
- No right to deduct charged VAT when performed exempted activities

Research questions

5

- Can charities be completely exempt from VAT in the current system?
- Which changes to the VAT rules are necessary and possible on national and European level to completely exempt charities from VAT?

6

Special scheme for charities?