VAT and Charities

Why

- Each legal system is determined by ethical, 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
- Middle Ages: patronage relationship
- Nowadays: donations and volunteering by the private sector & several tax incentives to support tax incentives and providing grants by legislatures

Current VAT system

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

Problems

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

Research questions

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?

Special scheme for charities?

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