



The Rt Hon Jeremy Hunt MP,
Chancellor of the Exchequer,
HM Treasury,
1 Horse Guards Road,
London,
SW1A 2HQ

23 February 2023

Dear Chancellor,

Unlocking product donations to families in need through the VAT system

We are writing to you as representatives of the UK's charitable and business sectors to urge you to take forward reforms to the VAT rules for product donations to charities at the upcoming Spring Budget in order to unlock vital support for families in need.

The current VAT rules only exempt product donations made by businesses to charities for onward sale, for example through a charity shop. This relief helps facilitate millions of product donations every year, but its limited scope means that direct donations (where products are given free of charge to people in need) are still considered a supply for VAT purposes, meaning that businesses wishing to make donations in this way must pay VAT each time.

With a clear appetite among businesses and charities to work together and scale-up donations, including via large-scale new schemes, we believe there is a strong case for extending the existing relief to cover direct donations. Not only will this significantly increase the overall level of product donations from retailers of all sizes – boosting access to essential and other important products at a time when many families are struggling to make ends meet – but it will also enable marketplaces and logistics companies to establish direct donation schemes and support smaller charities without a retail arm to access a new stream of donations.

Making this change to the VAT rules will remove any incentive within the tax system to dispose of rather than donate usable products, with knock on benefits for the environment and the Government's ambitions to move towards a circular economy.

Expanding the current relief to cover direct donations can be done at negligible cost to the Exchequer as the products would otherwise be donated under the current relief, stored indefinitely, or in some instances destroyed. We also believe that by adopting the same restrictions as the current relief – that limits relief to donations made to charities recognised by HMRC for tax purposes – will help minimise any risk of abuse that we understand is a potential concern.

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Announcing and taking forward this reform as part of a wider package of cost-of-living support at the Spring Budget will help unlock tens of thousands more donations this year, and we urge you to implement this measure as quickly as possible.

With best wishes,

Helen Dickinson OBE, Chief Executive, British Retail Consortium

Samir Patel, Chief Executive, Comic Relief

John Boumphrey, Country Manager, Amazon UK

Rob Love, Chief Executive, Crowdfunder

Donal Watkin, Chief Executive, The Association of Charitable Organisations

Murray Lambell, Vice President and General Manager, eBay UK

Martin Miles, Chief Financial Officer, British Heart Foundation

Emma Jones, Founder, Enterprise Nation

Neil Heslop OBE, Chief Executive, Charities Aid Foundation

David Holmes CBE, Chief Executive, Family Action

Dr Clare Mills, Director of Policy and Communications, Charity Finance Group

Sarah Vibert, Chief Executive, National Council for Voluntary Organisations

Robin Osterley, Chief Executive, Charity Retail Association

Steve Butterworth, Chief Executive, Neighbourly

Richard Bray, Chair, Charity Tax Group

Julian David, Chief Executive, techUK

Katie Docherty, Chief Executive, Chartered Institute of Fundraising

Clare Bottle, Chief Executive, UK Warehousing Association

Paul Buchanan, Interim Chief Executive, In Kind Direct

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