

VAT RELIEFS AVAILABLE TO CHURCHES

Certain goods and services are zero-rated or reduced-rated to churches. However, specific conditions have to be met for churches to be eligible for these reliefs. Churches wishing to benefit may need to provide their suppliers with eligibility declarations certifying that the conditions have been met (see point **5. ELIGIBILITY DECLARATIONS** for more information).

1. ADVERTISING & GOODS CONNECTED WITH COLLECTING DONATIONS

1.1 Advertisements

The supply of advertising to a church is zero-rated. Any church can benefit provided the supply is made by a third party. The zero-rating covers adverts on any subject, including staff recruitment. The name or logo of the church does not need to be included for relief to be allowed. Nonetheless, churches are expected to place adverts which comply with their charitable objects. A church can advertise VAT-free in any medium which communicates with the public. (The “public” means the general public, which can be widely interpreted to include businesses and small groups e.g. readers of a religious magazine). However, any method that does not utilise the provision of someone else’s advertising time or space, such as promotional items (e.g. pens with the church’s name on) are excluded from the relief.

The design or production of adverts also qualifies for relief provided that it is intended that they will be placed in advertising time or space that has been purchased by or donated to the church. In addition, elements linked to the design or production of an advert (i.e. photos or sound tracks incorporated in the advert) qualify for the relief, as well as all alternative versions of an advert produced to see which works best, even if it is the intention that only one version will be used. However, if a church creates its own adverts there is no relief for the purchase of any equipment and raw materials used in creating the adverts because this is not a third party supply to the church.

Other forms of advertising, such as direct mail and telesales, are excluded from the relief because they are not a supply of advertising time or space but are marketing and advertising addressed to selected individuals or groups. (Direct mail includes that sent by post, fax or electronically). However, individual elements of a postal package can still be zero-rated under the concession for appeal letters and envelopes (see **point 1.2**) or because they are, for example, brochures or leaflets (see **point 1.3**).

For details on zero-rating of printed matter, including the ‘package test’ concession (see **point 1.4**) please refer to “*Notice 701/10: zero-rating of books and other forms of printed matter*”: <https://www.gov.uk/government/publications/vat-notice-70110-zero-rating-of-books-and-other-forms-of-printed-matter>

1.2 Collection Envelopes

A church can also purchase pre-printed collecting envelopes at the zero-rate. This is called an “*Extra Statutory Concession (ESC)*” for certain goods used in connection with collecting monetary donations. Under this concession, certain items of printed stationery are zero-rated. This covers envelopes used by some churches for monetary gifts. Such envelopes that are clearly for use in a planned giving scheme and are printed with at least the church’s name can be zero-rated.

Other money collecting envelopes that have been especially printed for a church, making it known that they are donation envelopes, but leaving a space for completion of the individual place of worship, also qualify. However, plain envelopes bearing only a symbol (such as a cross printed on them), and available from retailers as general stationery, do not qualify. Please also note that this relief does not cover general stationery supplied to churches.

More information can be found on this subject in *“Notice 701/58: Charity advertising and goods connected with collecting donations”*:

<https://www.gov.uk/government/publications/vat-notice-70158-charity-advertising-and-goods-connected-with-collecting-donations>

1.3 Other Printed Matter

The reliefs described in *“Notice 701/58”* are not to be confused with those contained in *“Notice 701/10: Zero-rating of books and other forms of printed matter”* (see link below). Some goods such as brochures, pamphlets and leaflets will be zero-rated to churches under the relief for printed matter.

Brochures are defined as usually consisting of several sheets of reading matter fastened or folded together, which are not necessarily bound in covers. They usually contain advertising material in the form of text or illustrations. Pamphlets are similar, but are usually comprised of material of a social or intellectual nature. Single sheet brochures and “wallet” type brochures designed with a flap may be zero-rated provided that they:

- convey information;
- contain a substantial amount of text;
- carry some indication of contents or of the issuing organisation;
- are not primarily designed to hold other items and are supplied complete.

Leaflets normally consist of a single sheet of A4 size paper (larger publications up to A2 size can be zero-rated provided that they are printed on both sides, folded down to A4 size or smaller and meet the other conditions) and are:

- intended to be held for reading by individuals (rather than for hanging up for general display);
- convey information;
- are complete (not a part work);
- are supplied in sufficient quantity (at least 50 copies) to permit general distribution;
- are printed on limp paper;
- will either be designed to be read a few times and then thrown away or designed to accompany some other product or service (e.g. an instruction leaflet).

Items printed on stiff paper and card are not automatically excluded from the definition of leaflets. However the use of stiff paper and card is regarded as an indicator that the items have a function which would exclude them. For example if the item’s main function was designed to be kept or used for a specific purpose in its own right it would not be a leaflet. In addition items printed on laminated paper are clearly designed to be kept and are therefore not leaflets. On the other hand, orders of service are not normally designed to be kept and may be zero-rated.

Items which might otherwise be considered to be leaflets, brochures and pamphlets may not be zero-rated if they are primarily intended for completion or detachment. This distinguishes brochures, pamphlets and leaflets from standard-rated forms. Under the relief it is accepted that items are not primarily intended for completion or detachment if 25% or less of their total area consists of:

- areas which are blank and available for completion;
- parts to be detached and returned.

Where there is both an area for completion and a part to be detached and returned, then the two together must not exceed 25% of the total area of the publication. Whatever the area for completion, a publication which is designed to be returned whole after completion is always standard-rated.

More information can be found in “*Notice 701/10: zero-rating of books and other forms of printed matter*”: <https://www.gov.uk/government/publications/vat-notice-70110-zero-rating-of-books-and-other-forms-of-printed-matter>

1.4 The Package Test

If a printer produces a package of printed material for a church, some of which is zero-rated and some of which is standard-rated, the printer may be able to zero-rate the entire package. This is known as the package test and a church should always check with the printer.

The package test for determining the VAT liability of a mixed supply of printed items (such as items for a mail shot) is a separate concession described in “*Notice 701/10: zero-rating of books and other forms of printed matter*”. If the test does not result in zero-rating of the entire package, a church will still be able to claim zero-rating on any item which qualifies for relief.

The package test concession has been extended so that some of the stationery zero-rated under the ESC at Section 12 will also count as zero-rated for the package test. For details please see: <https://www.gov.uk/government/publications/vat-notice-70110-zero-rating-of-books-and-other-forms-of-printed-matter>

2. AIDS FOR THE DISABLED

Supplies of goods and services intended for disabled people only qualify for zero-rating under the following conditions:

- the customer is eligible to purchase supplies at the zero-rate;
- the goods are for the personal or domestic use of the customer;
- the goods and services are eligible to be supplied at the zero-rate.

The “customer” in this context is the disabled individual, so the first two conditions will automatically disqualify churches. The third condition, although appearing more open ended, is not as cut and dry as it first seems. For example, installing a stair lift in a church building would appear to be obviously eligible for relief. However, as the stair lift would be available for the general use or convenience of all those attending the church who may need it, rather than for the personal use of specified individuals, it would thus not be eligible for VAT relief.

It is therefore clear that in the majority of cases, churches will not qualify for zero-rating on goods and services for the disabled. However, when constructing or altering a church building to make it more ‘user-friendly’ for disabled individuals, there are a number of VAT reliefs available. This is discussed further in the next section, under **point 3.5 Disability Compliance**.

For more information on “*Reliefs for Disabled people (Government Notice 701/7)*” visit: <https://www.gov.uk/government/publications/vat-notice-7017-vat-reliefs-for-disabled-people>

3. BUILDING AND CONSTRUCTION

The construction of buildings, and certain works to buildings intended to be used solely for non-business purposes (such as a chapel), can be zero-rated subject to certain criteria being met.

3.1 Building Materials

Retailers and builders’ merchants charge VAT at the standard rate on most items they sell. Builders, however, charge VAT on building materials that they supply and incorporate in a building (or its site) at the same rate as for their work. Therefore, if their work is zero-rated or reduced-rated, then so are the building materials. However, some items are not ‘building materials’ and remain standard-rated. These include carpets (or carpeting material), electrical or gas appliances, and materials for the construction of fitted furniture.

The builders may, nevertheless, be able to zero-rate what they supply if they are involved in constructing a *qualifying building*. This would be a building that will be used solely for a ‘relevant charitable purpose’ i.e. for non-business use such as a chapel.

3.2 Qualifying Buildings – New Builds and Annexes

3.2.1 New Builds

A qualifying building is constructed when:

- it is built from scratch, and, before construction starts, any pre-existing building is demolished completely to ground level (although cellars, basements and ground level ‘slab’ may be retained);
- the new building makes use of no more than a single facade (or a double facade on a corner site) of a pre-existing building, the pre-existing building is demolished completely (other than the retained facade) before work on the new building is started and the facade is retained as a condition or requirement of statutory planning consent or similar permission;
- a new building is constructed against an existing building so that they share a wall but there is no internal access between them; and
- it is intended for use solely for a ‘relevant charitable purpose’.

3.2.2 Annexes

Additions to an existing building are normally standard-rated. However an addition (or where only part of an addition is being used solely for a relevant charitable purpose; that part) can be zero-rated under certain conditions.

It is important to note that an ‘annexe’ is not the same as an ‘extension’ or ‘enlargement’. In order to be considered an annexe, a structure must be attached to an existing building but not in such a way so as to be considered an enlargement or extension of that building. (An enlargement or extension would involve making the building bigger so as to provide extra space for the activities already carried out in the existing building e.g. adding a kitchen or toilet block to a chapel. An annexe, on the other hand, would provide extra space for activities distinct from but associated with the activities carried out in the existing building).

The demolition and reconstruction of an annexe to an existing chapel building can be zero-rated subject to the below conditions being met:

- *The annexe (or a part of it) is intended for use solely for a ‘relevant charitable purpose’:* When determining ‘relevant charitable purpose’ the annexe need not be an annexe to a building used solely for a relevant charitable purpose. What is important is that the annexe itself is intended solely for the relevant charitable purpose. However, where only a part of the annexe is intended for this use, the builder can only zero-rate his supply to the extent that it relates to that part.
- *The annexe is capable of functioning independently from the existing building:* An annexe is capable of functioning independently when the activities in it can be carried on without reliance on the existing building. Services shared with the existing building e.g. electricity and water can be ignored.
- *The annexe and the existing building each has its own independent main access:* Even if the annexe has its own entrance, the main access to it must not be through the existing building; and the annexe must not create the main access to the existing building.

Nevertheless, churches should be aware that the demolition and reconstruction of part of an existing chapel, such as a wing, or the conversion of an existing chapel (or part) to an annexe cannot be zero-rated as the construction of an annexe.

3.3 Architects, surveyors, consultants and supervisors

The supply of architectural, surveying, consultancy and supervisory services are generally always standard-rated. However, if the project itself qualifies for zero-rating, there are certain circumstances in which these services can also be zero-rated:

- *Design and Build:* Here the building client (i.e. the church) engages a contractor to carry out both the design and construction elements of the project. Where it is clear in the contract that any services of architects, surveyors or others acting as a consultant or in a supervisory capacity are no more than cost components of the contractor’s supply, and are not specifically supplied on to the customer, then the whole supply can be treated as being eligible for the zero-rate.

- *Management Contracting*: This system can take various forms. Normally the building client (i.e. the church) first appoints a professional design team and engages a management contractor to advise them. If the project goes ahead, the management contractor will act as the main contractor for the work (engaging ‘works contractors’ to carry out work to him as necessary). His preliminary advisory services are then treated in the same way as his main construction services. However, if the project does not go ahead, his preliminary advisory services are standard-rated.

3.4 Apportionment

3.4.1 Apportionment for qualifying parts of buildings

If a builder constructs a building that is only in part a zero-rated building, he can only zero-rate his work to the qualifying parts.

3.4.2 Apportionment for mixed site developments

Where a service is supplied in part in relation to the construction of a zero-rated building, and in part for other purposes, a fair and reasonable apportionment may be made to determine the extent to which the supply is treated as being zero-rated. However, if the builder decides not to make an apportionment then none of his work can be zero-rated. More information can be found in “*Notice 708 Buildings and construction*”: <https://www.gov.uk/government/publications/vat-notice-708-buildings-and-construction>

3.5 Disability Compliance

Where seeking to bring a chapel in line with the “*Disability Discrimination Act 1995 Part III (DDA)*”, churches can in certain circumstances benefit from zero-rating for improvements such as the construction of a ramp, widening a doorway or passage, or providing, extending or adapting a washroom or lavatory. However, the construction reliefs are complex and it is recommended that churches phone the Charities’ Helpline on: 0300 123 1073 to check entitlement to zero-rating before commencing a project.

4. FUEL AND POWER

Churches have to pay VAT on supplies of fuel and power. Nevertheless, churches qualify for the reduced rate under “charitable non-business activities”; which is defined as a charity not making a charge for its activities, and therefore considered non-business. For further information about charitable business/non-business activities see:

<https://www.gov.uk/government/publications/vat-notice-700-the-vat-guide>

<https://www.gov.uk/government/publications/vat-notice-7011-charities>

See also “*Notice 701/19 Fuel and Power*”:

<https://www.gov.uk/government/publications/vat-notice-70119-fuel-and-power>

5. ELIGIBILITY DECLARATIONS

An eligibility declaration may need to be completed by the church for each of the reliefs detailed above. The church must give its supplier evidence that it is a charity (see our Fact Sheet ‘*Churches as Charities*’ at: http://www.gbtc.org.uk/documents/FSORIGINALChurchesasCharities_003.pdf). If asked for further evidence the church must be able and willing to give it before VAT relief can be given. However, it is the supplier’s responsibility to make sure that the correct VAT rate is applied. He must take reasonable steps to check with the church any condition that he cannot verify for himself. Any additional verifications carried out should be recorded and kept with the declaration of eligibility, examples of which can be found in “*Notice 701/6 (Supplement)*”: <https://www.gov.uk/government/publications/vat-notice-7016-supplement>

Please note – Churches that do not have internet access, and are therefore unable to download the information referred to in this Fact Sheet, should contact the office of the Grace Baptist Trust Corporation for assistance.

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