



## **Industry calls for clearer VAT guidance on charitable donations for social and sustainability goals**

**Brussels, 17 May 2024** – Our organisations represent a variety of businesses and tax professionals who see an opportunity for the European Commission to strengthen the EU's values and sustainability goals through the ubiquitous application of VAT relief on charitable donations across the EU.

Businesses across Europe can make a difference every day by donating goods, as the destruction of unsold goods comes at an extremely high cost for people and the environment. The European Environmental Bureau estimates that the value of destroyed electronics and clothing in the EU will amount to €71.29 billion by 2030.

Ranging from wholesome food to spare appliances and furniture, the goods in question would not find a place in the market, but could make material contributions to charitable causes while pursuing EU goals in the Waste Framework Directive and in sustainability reporting.

The importance of harmonising VAT donations across the EU27 has also been recognised in the recent Report on the Single Market spearheaded by Enrico Letta, President of the Jacques Delors Institute, which was published on 16 April 2024. This report asks the European Commission to consider greater harmonisation of VAT neutralisation options for donations across the Single Market.

With this letter, we call upon the European Commission to provide further guidance to Member States on applying the VAT Directive exemption on charitable donations, to alleviate concerns about VAT avoidance and to facilitate corporate donations across the EU.

### **VAT relief for charitable donations**

In most Member States, businesses must pay VAT on donated goods. For small donations, the VAT liability may be negligible. However, the VAT liability for companies who make large or regular donations can reach a tipping point where donation no longer becomes a viable option. Instead, these companies are forced to destroy these goods.

This tipping point for charitable donations carries both social and environmental costs. Clothes, furniture or other equipment that could make a difference to a family or school are instead discarded. Environmentally, disused goods which could easily be reused are instead disposed of or, occasionally, recycled.

Efforts by the Commission to comfort Member States hoping to apply VAT relief on charitable donations would create significant social benefits and bolster key EU sustainability goals like the Waste Framework Directive and sustainability reporting.

Specifically, the proliferation of VAT relief on charitable donations would enhance progress towards the application of the waste hierarchy defined in the Waste Framework Directive. Removing this fiscal barrier would be an effective economic instrument supporting the reuse of goods, fulfilling annex IVa.3 of the Waste Framework Directive.

### **Minimise administrative burdens**

Considering that not all businesses and charities have the human and financial resources to comply with burdensome administrative requirements, VAT relief for charitable donations should have sufficient anti-fraud measures but still be simple, electronically supported and neutral towards the type and use of the donated good.

Eligible charity partners should also be broadly defined to allow recognised charities and special entities such as schools, orphanages, hospitals and hospices to receive donated goods, even if those are coming from different Member States. We therefore support a EU wide registry for charity partners or entities that can immediately qualify to receive donations.

We call upon the Commission to support the proliferation of VAT relief on charitable donations – through guidance and/or dedicated campaigns – and stand ready to support the Commission in this effort, knowing well its contribution to common values and sustainability goals.

**Accountancy Europe**

**American Chamber of Commerce to the European Union (AmCham EU)**

**CFE Tax Advisers Europe**

**Ecommerce Europe**