



VAT: refunds of VAT to search and rescue charities

Who is likely to be affected?

Search and rescue charities namely charities whose main purpose is to search for and rescue people at risk of death or serious injury, charities whose main purpose is to support, develop and promote the activities of charities established to search for and rescue people, and air ambulance charities.

General description of the measure

This measure will refund to search and rescue charities VAT incurred on the purchase of goods and services, and the acquisition and importation of goods from outside the UK, used for their non-business activities. Ordinarily VAT can only be recovered on purchases made for taxable business activities.

Policy objective

The measure will give search and rescue charities broadly the same level of VAT recovery as is presently afforded to the established emergency services.

Background to the measure

The established emergency services (police forces, fire and rescue authorities, NHS ambulance trusts and the Maritime and Coastguard Agency) are already refunded some or all of the VAT they incur in relation to their statutory non-business activities. The policy is to extend this ability to recover VAT incurred by search and rescue charities. These charitable bodies participate in coordinated search and rescue alongside the emergency services and/or support, develop and promote these activities.

Detailed proposal

Operative date

The measure will have effect from 1 April 2015.

Current law

There are no special provisions in VAT legislation concerning the VAT incurred by search and rescue charities on the goods and services they purchase.

Proposed revisions

Legislation will be introduced in Finance Bill 2015 to add two new sections 33C and 33D to the Value Added Tax Act 1994 refunding VAT to search and rescue charities. These will be defined as charities whose main purpose is carrying out co-ordinated search and rescue, whose main purpose is to support, develop and promote the activities of charities established to search for and rescue people; or whose main purpose is to provide an air ambulance service. The term 'charity' will take its meaning from Schedule 6 of the Finance Act 2010.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	-5	-10	-5	-5	-5	-5
	These figures are set out in Table 2.1 of Autumn Statement 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2014.					
Economic impact	The measure is not expected to have any significant economic impacts.					
Impact on individuals, households and families	<p>The measure may have a small positive impact on individuals requiring the services of charitable search and rescue bodies since the measure benefits these bodies financially.</p> <p>The measure is not expected to impact on family formation, stability or breakdown.</p>					
Equalities impacts	The measure is expected to have no equalities impact.					
Impact on business including civil society organisations	<p>The measure is expected to have an impact on charitable bodies that participate in co-ordinated search and rescue alongside the emergency services, allowing them to claim VAT they incur in relation to their statutory non-business activities.</p> <p>The measure is expected to have no impact on businesses.</p>					
Operational impact (£m) (HMRC or other)	There will be no significant operational impact.					
Other impacts	Other impacts have been considered and none have been identified.					

Monitoring and evaluation

This measure will be monitored through information collected in tax returns and through communication with the affected taxpayer groups.

Further advice

If you have any questions about this change, please contact Graham Spencer on 03000 585822 (email: graham.spencer@hmrc.gsi.gov.uk).

1 VAT: refunds to search and rescue charities

- (1) In Part 2 of VATA 1994 (reliefs, exemptions and repayments), after section 33B insert –

“33C Refunds of VAT to search and rescue charities

- (1) This section applies where –
- (a) VAT is chargeable on –
 - (i) the supply of goods or services to a search and rescue charity,
 - (ii) the acquisition of any goods from another member State by a search and rescue charity, or
 - (iii) the importation of any goods from a place outside the member States by a search and rescue charity, and
 - (b) the supply, acquisition or importation is not for the purpose of any business carried on by the charity.

For the meaning of “search and rescue charity”, see section 33D.

- (2) The Commissioners shall, on a claim made by the search and rescue charity at such time and in such form and manner as the Commissioners may determine, refund to the charity the amount of the VAT so chargeable.
- (3) A claim under subsection (2) above in respect of a supply, acquisition or importation must be made before the end of the period of 4 years beginning with the day on which the supply is made or the acquisition or importation takes place.
- (4) Subsection (5) applies where goods or services supplied to, or acquired or imported by, a search and rescue charity otherwise than for the purpose of any business carried on by the charity cannot be conveniently distinguished from goods or services supplied to, or acquired or imported by, the charity for such a purpose.
- (5) The amount to be refunded under this section is such amount as remains after deducting from the whole of the VAT chargeable on any supply to, or acquisition or importation by, the search and rescue charity such proportion of that VAT as appears to the Commissioners to be attributable to the carrying on of the business.
- (6) References in this section to VAT do not include any VAT which, by virtue of an order under section 25(7), is excluded from credit under section 25.

33D Section 33C: meaning of “search and rescue charity”

- (1) A charity is a search and rescue charity for the purposes of section 33C if it meets condition A, B or C.
- (2) Condition A is that –
 - (a) the main purpose of the charity is to carry out search and rescue activities in the United Kingdom or the UK marine area, and
 - (b) the search and rescue activities carried out by the charity are co-ordinated by a relevant authority.
- (3) For the purposes of subsection (2) –

“relevant authority” means –

- (a) the Maritime and Coastguard Agency;
 - (b) the Ministry of Defence;
 - (c) a police force;
 - (d) any other person or body specified for the purposes of subsection (2) by an order made by the Treasury;
- “search and rescue activities” means searching for, and rescuing, persons who are, or may be, at risk of death or serious injury;
- “UK marine area” has the meaning given by section 42(1) of the Marine and Coastal Access Act 2009.
- (4) Condition B is that the main purpose of the charity is to support, develop and promote the activities of a charity which meets condition A.
 - (5) Condition C is that the main purpose of the charity is to provide an air ambulance service in pursuance of arrangements –
 - (a) made by, or at the request of, a relevant NHS body, or
 - (b) made with the Secretary of State or with the Welsh Ministers.
 - (6) In subsection (5) “relevant NHS body” means –
 - (a) a Special Health Authority or NHS foundation trust in England;
 - (b) a Local Health Board, NHS trust or Special Health Authority in Wales;
 - (c) a Health Board or Special Health Board constituted under section 2 of the National Health Service (Scotland) Act 1978;
 - (d) the Common Services Agency for the Scottish Health Service;
 - (e) the Regional Health and Social Care Board in Northern Ireland;
 - (f) a Health and Social Care trust established under the Health and Personal Social Services (Northern Ireland) Order 1991.
 - (7) In this section “police force” means –
 - (a) a police force within the meaning of the Police Act 1996;
 - (b) the Police Service of Scotland;
 - (c) the Police Service of Northern Ireland;
 - (d) the Police Service of Northern Ireland Reserve;
 - (e) the British Transport Police Force;
 - (f) the Civil Nuclear Constabulary;
 - (g) the Ministry of Defence Police.”
- (2) In section 79 of VATA 1994 (repayment supplement in respect of certain delayed payments or refunds) –
 - (a) in subsection (1), after paragraph (d) insert “or
 - (e) a charity which is registered is entitled to a refund under section 33C.”;
 - (b) in subsection (5), after paragraph (d) insert “, and
 - (e) a supplement paid to a charity under subsection (1)(e) shall be treated as an amount due to the charity by way of refund under section 33C.”;
 - (c) in subsection (6)(b), for “or 33B” substitute “, 33B or 33C”.
 - (3) In section 90 of VATA 1994 (failure of resolution under PCTA 1968), in subsection (3), after “33B,” insert “33C,”.

- (4) In Schedule 9 to VATA 1994 (exemptions), in Group 14 (supplies of goods where input tax cannot be recovered), in Note (9), after “33B,” insert “33C,”.
- (5) The amendments made by this section have effect in relation to supplies made on or after 1 April 2015.
- (6) Until section 179 of the Health and Social Care Act 2012 (which abolishes NHS trusts in England) is fully brought into force, references to a relevant NHS body in section 33D of VATA 1994 (as inserted by this section) include an NHS trust in England.

EXPLANATORY NOTE

VAT: REFUNDS TO SEARCH AND RESCUE CHARITIES

SUMMARY

1. Clause [X] inserts two new sections in to the Value Added Tax Act 1994, the purpose of which is to allow search and rescue charities to recover the VAT they pay on the goods and services they purchase otherwise than for the purpose of any business carried on by the charity. This will take effect from 1 April 2015.

DETAILS OF THE CLAUSE

2. Subsection (1) of the clause inserts two new sections to the Value Added Tax Act 1994: sections 33C and 33D.

3. Subsections (1) and (2) of section 33C refunds to a search and rescue charity the VAT it incurs on purchases made, and goods imported and acquired, for non-business purposes (in practice, activities funded through donations or public funding). A search and rescue charity is defined in section 33D.

4. Subsections (2) to (6) of section 33C contain certain procedural requirements concerning time limits for claims, apportioning VAT where goods or services are used for business and non-business purposes, and items excluded from credit.

5. Section 33D defines a search and rescue charity. These charities fall into three categories.

6. The first category is charities whose main purpose is to carry out co-ordinated search and rescue activities in the United Kingdom. Subsection (2) of section 33D will provide for this, and subsections (3) and (7) will list the authorities which co-ordinate search and rescue in the UK. The Treasury will have the power to add any new co-ordinating authorities to this list through secondary legislation to keep it up to date.

7. The second category is charities whose main purpose is to support, develop and promote the activities of the first category of charities. In many cases search and rescue activities are undertaken by networks of local teams, supported by these central charities. These central charities do not themselves carry out search and rescue activities, but they are integral to them. Subsection (4) of section 33D will provide for this.

8. Subsection (5) of section 33D will add the third category of search and rescue charity, namely charities which provide an air ambulance service under arrangements with an NHS body (as defined in subsection (6)) or a relevant Minister.

9. Subsections 2 to 4 of the clause will make consequential amendments, and subsection (5) gives it effect from 1 April 2015.

BACKGROUND NOTE

10. This measure has been introduced to give search and rescue charities comparable VAT treatment to that already afforded to many of the established emergency services. To varying degrees established emergency services are refunded VAT on some or all of the goods and services they purchase under existing measures in VAT legislation.

11. If you have any questions about this change, or comments on the legislation, please contact Graham Spencer on 03000 585822 (email: Graham.Spencer@hmrc.gsi.gov.uk).