



Joint Statement on VAT relief for donations

Brussels, 11 March 2024

In many EU countries, companies are facing incremental VAT costs when donating surplus food and non-food products to charities and other charitable causes. Even though the EU VAT Directive gives Member States the possibility to define VAT relief conditions for donations to charitable organisations, only a handful of countries make use of this VAT neutralisation option. Where in place, these VAT schemes often have a very narrow scope and require the donor and the recipient to comply with multiple additional requirements. Such national legal frameworks lead to high costs, which make large-scale donations challenging and economically impractical, for businesses and especially for SMEs: The additional VAT expenses that companies face when donating surplus products amount to costs of up to 20% or more based on the goods' value. As these current rules discourage businesses from making donations, less sustainable ways to manage surplus items are indirectly incentivised and charities lose out on much-needed resources that the business community would be happy to provide.

The current VAT rules that prevail in most Member States are particularly paradox, as no VAT tax is levied when goods that can no longer be sold are destroyed. Should the legal framework regarding the VAT treatment of donations remain unchanged in Member States, the European Environmental Bureau indicates that €71.29 billion worth of electronics and clothing will be destroyed in the EU by 2030. This concerning high figure of potential product destruction runs counter to the EU's sustainability goals and presents an avoidable challenge. Removing VAT on charitable donations could help manage surplus inventory sustainably and Member States can create taxation laws that are in line with the Green Deal's goals.

We are, however, aware that any solution to this problem needs to be fraud-proof whilst keeping bureaucracy to a minimum. To that end, any measures implemented to clarify the VAT relief options for Member States shall include a list of charity partners, pre-defined and published in a publicly available register, with clear criteria that defines what qualifies as an eligible charity partner to avoid fraud. Nonburdensome administrative requirements are paramount for the success of such initiative, be it for businesses or for charity partners.

Call to Action

In light of the considerable impediment that current VAT rules in most Member States pose to businesses wanting to donate, to charities that are reliant on donations and considering the EU's sustainability and circular economy objectives, various stakeholders have come together to call on the EU Commission to act.

We ask the EU Commission to play a leading role in encouraging Member States to leverage VAT neutralisation options provided by the EU VAT Directive, allowing unsold food and non-food products to be supplied for free to recognised donation organisations, without triggering an incremental VAT cost for the donor.