HMRC - VATSC51620 - Grants: Introduction

This section of the guidance will help you determine whether a payment described as a grant is consideration for a supply or not. It should be read in conjunction with guidance about when there is a supply and consideration in

We commonly understand a grant to be a freely given payment in return for which no specific services (or goods) are received. Such a payment is therefore not a supply for VAT purposes. However there is no one definition of a grant and so you may come across payments which are described as grants but which are really payments for supplies.

A grant is money that a government body, or other organisation, give to another body or person to carry out a particular purpose, the National Audit Office define a grant as ‘a permanent transfer of funding for a specific purpose and used in accordance with a set of terms and conditions’. This is a reasonable definition but even if a payment meets the definition it does not answer the question ‘is that payment consideration for a supply?’

What matters when determining if there is a supply is the extent to which goods or services are provided in return for the payment? An outside the scope grant could share some features with a supply made for a consideration – such as being funding for a specific purpose, and being governed by a set of terms and conditions. However grants that are not consideration for supplies are freely given and there is no expectation of goods or services being supplied to the funder, or a specified third party, directly in return for the money paid.

The guidance in VATSC51820, VATSC51840 and VATSC51860 sets out indicators derived from case law to help you determine whether a payment is consideration for a supply. All the indicators should be considered when making a decision.

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