

Donations v Sponsorship

Donation of money, goods or services is a donation if the donor gets nothing more than a thank you in a program and their logo etc is NOT used.

Sponsorship is a payment to a charity, social project or a business for which the sponsor receives something in return. Payment may be in the form of money, goods and services (commonly referred to as 'barter'), or a combination of money with goods and services.

The payments may also be described as something else, for example, as a donation. Sponsorship is similar to a donation in that persons sponsoring a charity or social project are usually motivated by a wish to support it. But where the sponsor also receives something in return, this may have VAT implications.

Where you get sponsorship or some other form of support you will normally be making taxable supplies if, in return, you're obliged to provide the sponsor with a significant benefit. Typically this might include any of the following:

- naming an event after the sponsor (where to do so gives the sponsor a business benefit, such as promoting their brand), this will not generally apply to naming an event after a private individual or entities
- displaying the sponsor's company logo or trading name – though not where that logo is purely connected with a government agency or charitable foundation, and merely acknowledges generosity
- participating in the sponsor's promotional or advertising activities
- allowing the sponsor to use your name or logo (see paragraph 2.2 for more information)
- giving free or reduced price tickets (or access to difficult to get tickets e.g. Twickenham, Wimbledon, FA Cup)
- allowing access to special events such as premieres or gala evenings
- providing entertainment or hospitality facilities
- giving the sponsor exclusive or priority booking rights (except where HMRC is satisfied that there's no actual benefit in accessing these rights, and that they merely secure the sponsor's income for the charity)

This list is not exhaustive and there are many other situations where your sponsor may be getting tangible benefits. What matters is that the agreement or understanding you have with your sponsor requires you to do something in return.

It is always best practice to document the agreement whether there are obligations on the donation / sponsorship recipient or not. This gives future certainty in the case of disputes with the donor or HMRC.

Where there is the possibility of the receipt being sponsorship there may be VAT and / or corporation tax implications so speak to the RAFSF if you are in doubt.

Further information can also be found here: <https://www.gov.uk/guidance/sponsorship-and-vat-notice-70141>