

VAT treatment of charitable donations via SMS

This document should be read in conjunction with section 43A of the VAT Consolidation Act 2010.

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Introduction

This guidance sets out the VAT treatment of a donation made to a charity via a mobile phone using SMS short codes. This type of charitable donation is made by sending a text message with a short code specific to the charity. The amount representing the donation is then debited to the individual's bill or pre-paid phone credit.

Charitable donations are not deemed to be consideration for a supply and are therefore outside the scope of VAT. The provision of telecommunications services is liable to VAT at the [standard rate](#).

1. Charitable donations via SMS text message using Bill Pay

The VAT treatment of the donation depends on whether the telecommunications provider charges a fee for facilitating the transaction.

1.1 Donations where the telecommunications provider waives its fee

The telecommunications provider may not charge a fee for facilitating the transaction. Where the full amount donated is remitted to the charity concerned, the entire amount is deemed outside the scope of VAT.

As the operator has waived its fee, the entire amount represents a donation to the charity. There is no consideration in respect of a supply for a telecommunications service.

1.2 Donations where a fee is charged for the telecommunications service

The provider of the telecommunications service may charge a fee for facilitating the transaction. VAT at the standard rate is payable on this fee.

The monies transferred directly to the charity, independent of this fee, are considered a charitable donation. This donation is outside the scope of VAT.

2. Donations to charity made via SMS using pre-paid phone credit

Generally, the supply of pre-paid phone credit is taxable only when it is redeemed¹ as it is considered a multi-purpose voucher (MPV).² However, in some cases the telecommunications provider may have already paid VAT on the sale of the phone credit upfront. The VAT treatment of the donation depends on whether the telecommunications provider charges a fee for facilitating the transaction.

¹ Redeemed against the provision of a service e.g., telecommunications service taxable at the standard rate of VAT.

² Applies from 1 January 2019.

2.1 Donations where the telecommunications provider waives their fee

The telecommunications provider may not charge a fee for facilitating the transaction. Where the mobile operator waives their fee and the full donation is remitted to the charity the entire amount is outside the scope of VAT.

As the operators have waived their fee, there is no consideration in respect of a supply for a telecommunications service. The entire amount involved represents a donation to the charity.

In cases where the telecommunications provider has accounted for and paid the VAT on the sale of the phone credit upfront, they may submit a VAT reclaim to Revenue subject to the conditions set out below being met (paragraph 2.3). This is on the basis that a charitable donation is treated as being outside the scope of VAT.

2.2 Donations where a fee is charged for the telecommunications service

Fees charged by telecommunications providers to facilitate charitable donations are liable to VAT at the standard rate. Monies transferred to the charity net of this fee are charitable donations and outside the scope of VAT.

In cases where the telecommunications provider has accounted for and paid the VAT on the sale of the phone credit upfront, they may submit a VAT reclaim to Revenue subject to the conditions set out below being met (paragraph 2.3) in order to reclaim any VAT paid in respect of the net donation.

2.3 Conditions to be met:

The following conditions must be met for the charitable organisation to receive the full amount of the donation made using pre-paid phone credit without a VAT deduction.

- The charities involved, the mobile operators, and any other party supplying services to support the process must be in agreement in respect of the transaction set up. The agreement between the parties involved should be available in writing.
- The mobile operator must be able to clearly identify the appropriate transactions in its records in order to verify the VAT status of amounts treated as contributions to charity.
- The mobile operator must be able to identify all the text messages received and the amount of each donation to the charity concerned. The records should include a system reference for the donation, volumes of texts received and values of donations to individual charities.

- The mobile operator must be able to confirm that the monies have been paid in full to the charity, or to an aggregator acting on behalf of the charity. Where an aggregator is acting on behalf of the charity, the aggregator is required to provide an undertaking to the mobile operator that the money will be paid over to the charity in full.
- The mobile operator must obtain the CHY number of the charity and retain the CHY number in its records.

3. Fees charged by other parties

All parties involved in the process, including those providing technical support etc., who charge fees, are liable to VAT on those fees in the normal way.

Records of the commercial terms and transaction charges must be retained for audit purposes.

4. Examples

Example 1

A charity makes a request for donations of €1 via mobile phone SMS texts.

The service provider has waived its fee for facilitating the transaction. €1 is transferred to the charity. The full amount (€1) is outside the scope of VAT.

Example 2

A charity makes a request for donations of €1 via mobile phone SMS texts. The telecommunications provider charges 10c per text.

€1 is attributed to the short code however, 10c of this is deducted as a fee by the telecommunications provider. This 10c is consideration for the supply of telecommunications services and is liable to VAT at the standard rate.

The remaining 90c is passed in full to the charity. This 90c is a donation and is outside the scope of VAT.