Response to consultation on the VAT Treatment of Business Donations of Goods to Charity – 18 July 2025

Summary

- Businesses in the logistics sector are often responsible for or directly involved in decisions about surplus stock, returned goods, and end-of-life products.
- We welcome the government's proposal to introduce VAT relief for business donations of goods to charities for onward donation or use in service delivery, building on the current VAT rules which support charitable giving for onward resale. However, for the relief to succeed at scale, safeguards must be proportionate, targeted at real risk, and not administratively prohibitive.
- To successfully encourage charitable giving, reduce waste and support the circular economy, it is important that the new measures can be used effectively. We therefore urge HM Treasury and HMRC to consider flexible eligibility for organisations, streamlined record-keeping and to avoid individual recipient-level tracking. This would unlock greater donation volumes, reduce waste, and better support those in need, while protecting the tax base.

The logistics sector

Logistics underpins our economy and is fundamental to our way of life. It supplies our hospitals, schools, factories, construction sites, shops and homes with everything they need, everywhere, every day – nothing moves without it.

The efficiency of logistics and the productivity of the economy are completely intertwined. Due to this relationship, Oxford Economics found in 2023 that getting the policy and infrastructure environment right for logistics would unlock up to £8 billion a year in productivity-led growth.

However, we are not currently going in the right direction. The UK fell from 4th to 19th place in the World Bank Logistics Performance index over the past decade, largely as a result of border friction and underinvestment in transport corridors.

Logistics is a major sector in its own right. It contributes more than £170 billion to the economy each year (12% of UK non-financial GVA), is one of the UK's largest employers, providing good jobs with strong career progression – 2.7 million people (8% of the UK workforce) are employed in logistics roles, and its key hubs provide a catalyst for further growth and investment, helping places to thrive.

Logistics has transformed the UK and is now delivering for the future. It helped deliver the country's canals, roads, railways, airports and ports, has driven revolutions in global trade and e-commerce and is now innovating to deliver decarbonisation and even greater efficiency.

Consultation response

Question 1: What type of organisation are you responding as?

We are responding as a business representative organisation: Logistics UK.

Question 4: If you answered 'an organisation', please provide details.

Logistics UK is one of the country's largest business groups, and the only trade association which represents all of logistics. Our mission is to support, shape and stand up for a safe, sustainable and efficient logistics sector. Our membership of more than 20,000 includes global, national and regional businesses and SMEs spanning road, rail, inland waterways, sea and air as well as the customers of freight services, such as retailers and manufacturers. We deliver services, representation and thought leadership, helping members and policymakers to seize new opportunities for the sector and the economy as a whole, right across the country.

Logistics UK is established in the UK.

We do not currently donate or receive donations of goods to give away free of charge, and are responding on behalf of our members.

Question 6: Would you use a relief on goods donated to charity to give out free of charge or use in the delivery of their services?

Our members in the logistics sector would. A VAT relief of this nature would significantly reduce barriers to donation by removing the current VAT liability on goods donated for onward donation or service delivery. This would enable greater alignment between ESG objectives, circular economy practices, and surplus inventory management. It would also increase the volume and range of goods that businesses are willing to donate to support charitable work.

Question 7: Would the proposed relief encourage donations?

Yes, if delivered with more proportionate bureaucracy, the logistics sector supports the proposal. The VAT liability on onward donations currently acts as a strong disincentive, especially for goods where input VAT has been recovered and where resale is not viable. Removing this liability, with proportionate bureaucracy, would encourage higher-value donations and enable more timely and direct giving to people in need. It would also reduce the perverse incentive to send otherwise usable goods to landfill or incineration.

Question 8: Would the proposed relief support circular economy objectives by encouraging the donation of goods which may otherwise be put into landfill?

Yes, if delivered with more proportionate safeguards. Many usable goods, especially customer returns or excess inventory, are disposed of because giving them away attracts a VAT cost. This is particularly problematic for fast-moving consumer goods and items with fluctuating market value. The relief would support both sustainability and social impact goals.

Question 10: If a value limit was put on individual items donated, what would be a suitable maximum value?

A value limit of £100 per individual item, uprated annually with inflation, would be appropriate for the relief. This threshold would cover the vast majority of goods that our members typically donate. It would also provide reasonable protection against fraud in the case of higher-value items. However, should the suggested reforms be successful in incentivising donations without an increase in VAT fraud, this limit should be revisited and potentially increased, to allow for the donation of a wider range of goods. It is worth noting that countries with similar VAT relief in place, such as Belgium, do not have a maximum value restriction.

Question 11–13: What types of goods do you donate or receive? How should goods be defined for eligibility?

We encourage avoiding automatically excluding any particular category of goods in order to allow for those with diverse needs to be able to access goods they require. Rather than have a list of eligible product categories, we would urge the government to adopt or adapt existing definitions of ‘basic necessities’ or ‘essential goods’, as used by the charity Multibank, to support clarity while avoiding item-by-item decision-making. ‘Essential’ items would include toiletries; clothing and shoes; infant supplies; cleaning supplies; school supplies; home goods; sporting equipment; toys, games and electronics. It would exclude items such as alcohol and luxury goods which may be viewed as attractive options for onward sale and VAT avoidance.

Question 14–15: Should goods used in service delivery (not just given away) qualify for relief?

Yes. Distinguishing between “onward donation” and “use in services” is often impractical. For example, toiletries in a shelter may be opened for use or handed to residents, but the public benefit is identical. In addition, requiring logistics operators to segregate goods by intended use would create significant administrative burdens. We therefore support including both under the relief, subject to appropriate value limits and record-keeping.

Question 16–17: Should eligibility criteria apply to individual recipients?

No. Requiring evidence of welfare status or applying a value cap on donations received by individuals would be impractical, intrusive, and burdensome for charities. Many do not collect this data. Instead, we propose allowing charities to define reasonable eligibility criteria (e.g. referral or walk-in); and using randomised audits rather than rigid upfront enforcement.

Question 18–20: Which recipient organisations should be eligible?

We support making the relief available to registered charities (default eligibility); charitable incorporated organisations; food banks and CICs that meet light-touch assurance criteria.

Restricting relief solely to “poverty relief” charities risks excluding organisations working in education, health, homelessness, or digital inclusion, all of which serve people in need.

Question 21–23: What records should businesses be required to keep?

The requirements proposed appear reasonable. However, there are two elements of this proposal which would represent increased administrative burden, and we would urge that they not be included:

- The value at the point of donation, which is a subjective calculation and often not readily available. Many retailers, for example, do not have access to the cost of production of the goods involved. Given the proposal to have a value limit, this should be sufficient.
- Many existing agreements between logistics operators and charitable organisations do not include delivery notes when goods are directly collected. Introducing this would therefore represent a barrier to charitable giving.

In addition, we would note that while larger operators may be able to adapt to more prescriptive record-keeping requirements, they are likely to pose a greater challenge for SMEs. Requirements should therefore be scalable and proportionate, to ensure smaller businesses are able to participate in the relief without excessive administrative overhead.

Question 24: Would a certification system work?

We support the proposal to use a certification system as a means for warehousing businesses to seek assurance that the charity will be using donated goods for the intended purpose. Importantly, this would place the ultimate responsibility for complying with the relief’s requirements on the receiver, rather than donor, of the goods.

Any certification system must be sufficiently light touch, usable at scale and ideally standardised and digital.

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