



Empowering charities to thrive by building VAT resilience

VAT

Carla Horsfall — November 2025



Content

- What is VAT resilience.
- Why is understanding your VAT position critical to financial resilience.
- VAT controls and governance
- Impact of changes in VAT law and funding
- Common VAT pitfalls
- Case update (if there are any)



What is VAT resilience

A charity's ability to manage its own VAT obligations effectively and adaptively.



Why is VAT resilience important

- VAT is often a hidden cost — poor management can erode funding
- Resilient charities can respond quickly to change (e.g. new income streams, capital projects)
- It supports financial sustainability and strategic decision-making



How do we build VAT resilience

- **Adapt** to changes
- **Embed** strong governance and controls
- **Innovate** in how VAT is managed across the organisation
- **Optimise** VAT recovery and minimise exposure
- **Understand** its VAT position clearly



VAT Controls and Governance



- Invoice review and validation
- VAT Coding
- Income classification
- Partial exemption monitoring
- Business/ non-business monitoring
- Training and awareness
- External advice



Impact if changes in VAT law and funding

- Increased HMRC scrutiny
- Increase complexity of VAT compliance
- Impacts VAT recovery and creates an additional cost



Common VAT pitfalls

- Business/ non-business calculations and Partial Exemption calculations are 2 different things.
- Missing reverse charge obligations
- Misclassifying income
- Incorrect treatment of property transactions — Capital Goods Scheme
- Lack of staff training



Case Update



Any Questions



Thank you

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