

Charity 'click-through' advertising

In [Revenue & Customs Brief 25/10](#), HMRC has announced that its policy on zero-rating for advertising supplies to charities will henceforth extend to certain internet-based 'pay per click' advertising. Whilst this policy revision may not go as far as charities might have hoped, it will certainly be welcomed and charities will be keen to encourage suppliers to obtain and pass on refunds of VAT overpaid to HMRC. Charities should ensure that they obtain refunds of VAT overpaid to HMRC by suppliers or via the UK reverse charge.

Charities often pay organisations such as Google a 'per-click' fee to encourage searchers to click on the organisation's link in priority to any other links on the results page. HMRC's policy had been that, although adverts for charities placed on third party websites (and the associated design and production costs) attracted zero-rating (items 8 and 8A to 8C, group 15 Sch 8 VAT Act 1994), PPC advertising did not (as Note 10B Grp 15 excludes zero-rating for the costs of providing a charity's own website). However, following representations from charities, HMRC has revised its policy on the VAT treatment of PPC advertising supplied to charities as follows:

PPC-sponsored links appearing on search engine websites constitute advertisements for the purposes of items 8 and 8A and qualify for zero-rating when supplied to a charity, as do the supply of copyright and design services associated with such sponsored links;

HMRC maintains that services supplied by copywriters and designers for the purpose of search engine optimisation (structuring a website so that it contains as many keywords as possible) do not qualify for zero-rating, as they entail optimisation of the charity's own website rather than advertising on another site, and so remain specifically excluded by Note 10B; and

the listing of a charity in the results of a search ('natural hits') does not constitute 'advertising' for the purposes of item 8 since the charity's name appears automatically, regardless of any action taken by or on behalf of a charity and merely highlights text from the charity's own website.

Comment

Whilst this revision of HMRC's policy may not go as far as charities might have hoped, it is welcomed and charities will be keen to encourage suppliers to obtain and pass on refunds of VAT overpaid to HMRC. Charities should also ensure that, where they have accounted for

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reverse charge VAT on supplies from non-UK suppliers, they make appropriate claims or adjustments to current returns. 4 Eyes Ltd would be pleased to assist in this process if requested.

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