

# Inland Revenue Department

## Technical Note

### VAT Guidelines Sponsorship and Donations

September 20, 2012

**Overview** This Technical Note gives guidance on Sponsorship and Donations.

**Disclaimer** These notes are for guidance only. They reflect the Law and the Department's position at the time of publication. They do not replace the Legislation or affect your Rights of Appeal about your tax position. If in doubt, consult the Inland Revenue Department, VAT Section.

#### **SPONSORSHIP**

Sponsorship is essentially a form of advertising purchased. Where a registered taxpayer sponsors an activity of another registered taxpayer, the value of the supply is deemed to be VAT inclusive. In essence, the sponsor would have purchased advertising or marketing time from the recipient. A VAT Invoice must be raised by the recipient to reflect the transaction. An agreement must be in place detailing the terms of the sponsorship.

Example: A registered carnival band receives EC\$10,000 from a water distributor, which mandates promotion of the distributor's name/products. The band will raise an invoice for the amount of which Input VAT of \$1,304.35 is deemed to be inclusive and can be claimed by the distributor. ( $\$10,000 \times 15/115$ ) The amount of \$1,304.35 represents output VAT to the band.

Where a registered taxpayer sponsors an unregistered person there is no VAT effect as the registered taxpayer is deemed to be making a purchase from an unregistered supplier. The unregistered person cannot raise a VAT Invoice, thus **no VAT** is to be accounted for on the value of the sponsorship.

#### **DONATIONS**

A donation is **not a sale** and the VAT treatment varies based on the transaction.

In accordance with Section 20 ( 3), where a supply is made for no consideration or for a consideration that is less than the fair market value between related persons or to an approved charitable organization, the value of the supply is the fair market value.

Where the donation is made to an approved charitable organization, the approved charitable organization must pay the VAT due on the value of the donation and claim a refund of the VAT paid once approved by the Minister in accordance with Section 59 (3).

Where a donation is made to an unregistered person, there is **no VAT effect** as essentially the 'supply' is made for **no consideration** in accordance with Section 20 ( 15) of the VAT Act. **No VAT effect** meant that no Output VAT is due and no adjustment is to be made to Input VAT.

## **FOR FURTHER INFORMATION**

For further information please contact the VAT Section at the following address:

The VAT Section  
Inland Revenue Department  
Manoel Street  
Castries  
Saint Lucia

Telephone No : (758) 468-2800

Email: [vatinfo@vat.gov.lc](mailto:vatinfo@vat.gov.lc)

Website: [www.vat.gov.lc](http://www.vat.gov.lc)