

UNDERSTANDING TRADING, CORPORATION TAX, AND VAT FOR GROUPS USING SCN SERVICES

Important point to note: We cannot provide Tax or Legal advice, including guidance on what constitutes trading income or any tax implications for your group.

This document has been prepared to provide information to all of our existing groups. We understand that some groups using the SCN services may have been engaging in activities such as selling tickets in the past. This information is being shared to provide clarity and ensure compliance with HMRC guidelines. It is not meant to cause panic, but rather to offer guidance and support. We are here to help you understand these regulations and make any necessary adjustments. We strongly recommend reviewing this information and contacting us with any questions or concerns.

If there is any chance that your group's activities could be considered trading rather than no-obligation donations, we strongly recommend seeking independent tax advice before you begin. You can access personal tax advice via [TaxAid](#), unincorporated groups and charities tax advice via [Whitings LLP](#), [HWJ Chartered Accountants](#), [UK Tax Accountant](#) or [Front Edge Accountants](#)¹. If you are a group already onboarded with the SCN, don't panic, but read the below information carefully and contact us if you need further clarifications.

While HMRC has guidance for [unincorporated groups](#), there is no specific details available on the best way to contact them to find out more information. Since tax laws and guidelines can change, the information is current as of July 2025 and the document will be regularly reviewed and updated.

Understanding what constitutes Trading Income

If your group generates income from activities beyond donations, HMRC may classify this as trading, which could mean your group has [Corporation Tax](#) and [VAT](#) obligations.

HMRC generally considers an organisation to be 'active' for Corporation Tax purposes if it is:

- Carrying on a business or trade
- Buying and selling goods with a view to making a profit or surplus
- Providing services in exchange for payment
- Earning interest or managing investments

¹ Please note that we do not have any affiliations with any of the given organisations and the services they provide. The list is not exhaustive and you can always search for other tax advice options. We have listed down a few for your convenience only.

- Receiving any other form of income

If your group starts trading or generating income or has already started generating income other than from [pure donations](#), it may be liable for Corporation Tax and may need to file a Company Tax Return, even if it is unincorporated. You can find more information in [HMRC's guidance on trading and non-trading income](#) and [How to register an Unincorporated group](#).

Additionally, you must [register for VAT](#) with HMRC if your revenue that is subject to VAT is more than £90,000 in a rolling 12 month period. You can choose to register if it's below this, for example to reclaim VAT on your expenditure. VAT can be a complex area, with significant penalties if it is not treated properly, so it is your responsibility to make sure you have taken appropriate advice.

If your group delivers activities, sells goods or services, or receives income from outside the UK that could be considered trading, you should ensure you understand any tax, trade, or registration obligations that may apply in the place of supply. This includes checking whether VAT or equivalent taxes apply locally, and seeking independent advice where needed.

Donations vs. Trading Income

Donations are normally fine, but to remain classified as donations (rather than trade income), there must be no obligation or expectation that someone must donate in order to receive something in return.

Some examples of trading could include:

- Selling tickets to an event
- Selling merchandise
- Sponsorship from a local business in return for publicising them
- Providing services on behalf of a local authority that funds you

As most of the groups associated with SCN sell tickets charging a fixed price to raise funds (which HMRC may view as trading income and therefore could create tax and reporting obligations - even for unincorporated groups), an alternative is to keep the event free to attend, and instead invite voluntary donations to support the costs of running the event.

Key Principles for Donation-Based Events:

- **Ensure Open Access:** The event must be open to everyone, regardless of whether they choose to donate. Payment should never be a requirement for entry.
- **Clarify Donation Purpose:** Clearly communicate that donations are intended to support the wider activities of your organization, not as a payment for access to this particular event.

- **Transparency About Fundraising Goals:** You can still be transparent about needing to raise a specific amount (e.g., £100) to support the event, but make it clear that this is a target, not a mandatory fee.
- **Handling Donations If the Event Is Canceled:** Explain that if the event does not proceed as planned, donations will be used to support similar future activities or donated to another similar cause.

Benefits of This Approach:

By adhering to these principles, you reduce the risk of your event being classified as trading and ensure that donations are treated appropriately.

Impact of Trading on Groups utilising SCN Services

If there is any uncertainty about whether your group's income might be considered trading, we strongly recommend seeking independent tax advice to avoid unexpected tax liabilities. For more details, visit [HMRC's official guidance](#) (or [here](#) for charities) or consult a tax professional. You can also contact us if you need further assistance.

Together we will:

- Ensure you've sought appropriate tax advice
- Confirm that our service can continue supporting your plans
- Put in place any necessary systems for compliance

Please note, trading falls outside our standard service and fees, and it may involve an additional charge.

Glossary

HMRC- His Majesty's Revenue and Customs (commonly HM Revenue and Customs, or HMRC, and formerly Her Majesty's Revenue and Customs) is a non-ministerial department of the UK government responsible for the collection of taxes.

Unincorporated group- Known as Unincorporated Association in official HMRC documents, is an organisation set up through an agreement between a group of people who come together for a reason other than to make a profit. Read [this briefing](#) for more information on Unincorporated groups.

Charity- an organisation that is registered with [The Charity Commission](#), and operates exclusively for charitable purposes.

Corporation tax- Corporation Tax is a tax your company or association pays to HMRC on profits in an 'accounting period'. The amount you pay depends on how much profit you make.

VAT- Value added tax (VAT) is a tax imposed on most goods and services in the United Kingdom.