

Defining grants and contracts

The boundaries are often blurred between the definition of grants and contracts which can cause confusion for the recipient and the funder. So here is our handy guide to the characteristics of both.

Contracts:

- An obligation to deliver something to the paying public body, for the benefit of that public body
- The requirement to charge VAT on the supply of those services
- The availability of the paying public body to recover from the recipient organisation financial losses it suffers as a result of a failure of the recipient organisation to deliver the services it is contractually required to deliver.

Grants:

- It is given to enable the grant recipient to provide services to third party beneficiaries rather than to the public body
- The grant recipient is able to hand back the grant without having an obligation to deliver the services funded by the grant
- VAT is not payable
- The financial obligation of the grant recipient is limited to paying back all or part of the grant, rather than compensating the paying public body for losses incurred as a result of the non-delivery or failed delivery by the recipient organisation