



not for profit | tax reliefs

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giving assets to charity

Individuals and companies can benefit from extra tax benefits on gifts to charities of qualifying shares, securities and land. Such gifts qualify for an income or corporation tax deduction for the value of the gift in addition to the exemption from capital gains tax for gifts of assets to charity.

This fact sheet outlines these extra tax reliefs and is based on our understanding of the position in September 2010.

qualifying assets

The following assets qualify for the tax relief:

- shares and securities listed or dealt in on the UK Stock Exchange, including the Alternative Investment Market and the PLUS Market
- shares and securities listed or dealt in on any overseas stock exchange recognised by HMRC
- units in an authorised unit trust
- shares in an open-ended investment company (OEIC)
- holdings in certain foreign collective investment schemes (broadly, schemes established outside the UK that are equivalent to unit trusts and OEICs)
- the whole of a beneficial interest in UK land - either freehold or leases for a fixed number of years.

relief

individuals

The "deductible amount" is allowed as a deduction against the individual's income of the tax year in which the gift is made.

deductible amount

This is:

- the market value of the asset at the date of the gift to charity, *plus*
- any incidental costs incurred in transferring the assets (such as broker's fees or stamp duty) *less*
- any disposal proceeds or other money, or the value of any other benefits the individual, or a person connected with him (such as a relative), receives in consequence of giving or selling the asset to charity.



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This can be compared with making gifts of cash through Gift Aid under which the entire relief is lost if the value of the associated benefit exceeds the strict limits set out in the legislation.

claiming the relief

This can be done by claiming in the tax return for the year of gift, but for individuals, tax relief can be obtained more quickly by writing to HM Revenue & Customs and asking for the relief to be given in the current year either by inclusion in their PAYE code or by reducing payments on account.

Effect of the relief - for example:

Hope has £100,000 worth of shares with an inbuilt gain of £25,000. She has used her capital gains tax exemption for the year.

For the detailed calculations, please see Example A in the appendix.

relief (assuming income tax at 50% and Capital Gains Tax at 28%)

	Charity Receives	Cost to Hope	Percentage gift by Hope
Give all the shares, claiming shares gift relief	£100,000	£50,000	200%
Sell the shares to the charity for capital gains base cost	£25,000	£12,500	200%
Sell all the shares at market rate, pay capital gains tax and pay net balance to charity, claiming Gift Aid	£119,231	£65,125	183%

With the marginal rate of tax for a high earning individual varying between 40% and 60% and Capital Gains Tax being due at a rate between 10% and 28% the position depends on the individual donor's circumstances. It is advisable to seek detailed advice before making the gift.

companies

The deductible amount is claimed as a charge on income in the accounting period in which the gift is made.

ability of charity to accept a gift of shares or land

Most charities will be able to accept a gift of shares or land, but not all, so check first.

date of the gift

This is the date on which the assets are transferred to the charity. In the case of shares this will generally be the date on which the stock transfer form is signed. It should then immediately be sent direct to the registrars. We suggest you also send a copy to the charity.

The legal requirements for the transfer of land are more complex and depend partly on where in the UK the land is situated. The gift will generally be made when the donor has done all he or she needs to do to effect that gift.

evidence of the gift - shares

Individuals and companies will need to keep a dated copy of the document used to give the shares or securities to the charity, ie, the stock transfer form, as well as evidence to support the value at that date.

evidence of the gift - land

The charity must give the donor a certificate describing the land and extent of the interest given, the date of the gift and confirming it has acquired the interest. There are also anti-avoidance rules specific to gifts of land dealing with situations such as where the donor subsequently acquires an interest in the gifted land in certain circumstances. Special rules also apply where there are joint or common interests in land.

the value of the assets

Shares or securities quoted in the London Stock Exchange Daily Official List

The lower of:

- The lower of the two quotations on the date of gift plus one quarter of the difference between those two figures, or
- The mid-point between the highest and lowest prices at which bargains were done on the day, except for bargains at special prices.

other assets

There are special rules for other types of assets. More information can be obtained from [haysmacintyre](#).

is it worthwhile giving assets and claiming the relief?

individuals

For some people it may be better for them to sell the assets, give the net proceeds to the charity and claim Gift Aid on the cash gift, depending on how much they want the charity to benefit and how much they want their own cost to be.

For example:

Faith has £800 shares, which is all capital gain i.e, she has no base cost. She makes no other capital gains in the year and is a basic rate tax payer.

For the detailed calculations, please see Example B in the appendix.

	Charity Receives	Cost to Faith	Percentage gift by Faith
Use shares gift relief	£800	£640	125%
Sell all the shares then Gift Aid the proceeds	£1,026	£800	128%

Again, the position depends on the individual donor's circumstances, and it is advisable to seek detailed advice before making the gift.

companies

Most companies will be better off making the gift of assets and claiming the relief.

anti-avoidance

Because the relief has been targeted by marketed tax avoidance schemes, relief can sometimes be restricted where a donor has acquired the shares in the four years prior to their donation as part of a scheme or arrangement. This should not affect a genuine donor wishing to benefit the charity.

[about haysmacintyre](#)

haysmacintyre, Chartered Accountants and business advisers, works with over 550 charities and not for profit organisations in the UK and overseas. Our services include the full range of audit, tax, VAT and comprehensive advisory services. Our multi-disciplinary specialist team has extensive sector experience working for a diverse range of charities. We are based in one location which ensures an integrated and comprehensive approach to our clients' requirements.

haysmacintyre is a founding member of MSI Global Alliance (MSI), an international alliance of independent legal and accounting firms, with 250 members in 100 countries.

APPENDIX

Detailed calculations

A. HOPE - a 40% taxpayer who pays capital gains tax on other gains

Gift of all shares	Gift to Charity	Cost to Hope
Charity receives	£ 100,000	£ (100,000)
Tax relief @ 50%		50,000
		£ (50,000)

Sell the shares at capital gains cost to charity

Shares worth	£ 100,000	£ (100,000)
Charity pays	75,000	75,000
Charity receives	£ 25,000	
Tax relief @ 50%		12,500
Net cost		£ (12,500)

Gift of all net sales proceeds to charity

Shares worth	£100,000	£ (100,000)
Gain	£25,000	
Capital Gains tax rate 28%		
Tax liability	(7,000)	
Net gift received by charity	£ 93,000	
Charity recovery 22/78	26,231	
Charity receives	£119,231	
Tax relief @ 30%		34,875
Net cost		£ (65,125)

B. FAITH - a basic rate taxpayer who does not pay capital gains tax on other gains

Gift of all shares	Gift to Charity	Cost to Faith
Charity receives	£ 800	£ (800)
Tax relief @ 20%		160
		£ (640)

Gift of all sales proceeds to charity		
Shares worth	£ 800	£ 800
Gain	£800	
Annual exemption 2010/11 (10,100)		
Nil taxable so no tax	-	
Net gift	£ 800	
Charity recovery 22/78	226	
Charity receives	£1,026	
Tax relief @ 0%		-
Net cost		£ (800)



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