

Clause 16: Gift aid: restrictions on associated benefits

Summary

1. This clause simplifies the number of thresholds and changes the limits on the value of benefits that can be given to donors without affecting the Gift Aid qualifying status of a donation to a charity. The changes will apply in relation to gifts by individuals and payments by companies made to charities on or after 6 April 2019.

Details of the clause

2. Subsection 1 makes changes to section 418 of Income Tax Act (ITA) 2007. Section 418 provides the limits on benefits that can be given in relation to gifts made by individuals to charities if the gifts are to remain eligible for Gift Aid. Where the amount of the gift by an individual does not exceed £100, the benefit restriction is 25% of that amount. For gifts exceeding £100, the benefit restriction will be the sum of £25 and 5% of the amount of the excess subject to the overall benefit restriction of £2,500 set out in section 418.
3. Subsection 2 applies the changes made to section 418 ITA 2007 in relation to gifts made to charities by individuals on or after 6 April 2019.
4. Subsection 3 makes changes to section 197 of Corporation Tax Act (CTA) 2010. Section 197 provides the limits on benefits that can be given in relation to payments made by companies to charities if the payments are to remain qualifying charitable donations for corporation tax relief. Where the amount of the payment by a company does not exceed £100, the benefit restriction is 25% of that amount. For payments exceeding £100, the benefit restriction will be the sum of £25 and 5% of the amount of the excess subject to the overall benefit restriction of £2,500 set out in section 197.
5. Subsection 4 applies the changes made to section 197 CTA 2010 in relation to payments made to charities by companies on or after 6 April 2019.

Background note

6. Gift Aid is generally only allowed on donations that are freely given. However, certain small benefits are allowed to be given as a thank you to donors without the charity losing Gift Aid tax relief on the donation, provided the value of benefits is within certain limits. At present, there are three different thresholds that determine the value of benefits that charities may give to donors whilst still being able to claim Gift Aid on the full amount of the donation. The same thresholds also apply to benefits given to companies for making a donation to a charity.
7. The changes in this measure will introduce a simpler and a more generous two threshold

benefit valuation rule for charities making it easier to claim Gift Aid on eligible donations and so increase the overall number and value of claims.

8. If you have any questions about this change, or comments on the legislation, please contact Hasmukh Dodia by email: charitypolicy.taxteam@hmrc.gsi.gov.uk

