

Charities: Gift of Investments

Background

Tax reliefs apply to gifts of listed shares, some other investments and land to charities.

This summary only covers the position of individuals. There are similar reliefs for corporate gifts.

Overview

The tax rules provide for two reliefs from tax on a gift of investments-

- An income tax relief for the value of the investments gifted.
- A capital gains tax exemption for the gain that would normally be taxed.

Illustration

Consider an individual who owns listed shares with a market value of £10,000, and an original cost of £4,000. If the individual gifts the shares to a charity-

- The charity receives the shares worth £10,000. The charity may choose to sell the shares; normally no tax liability would arise. The charity does not reclaim any tax relief from HMRC, unlike the position where it receives a cash donation under Gift Aid.
- The individual can set the value of the shares gifted of £10,000 against his income for tax purposes.
- The individual would not be liable to capital gains tax on the gain of £6,000.

Some points to note are-

- In this illustration the income tax relief could be worth £10,000 at 45%, or £4,500, and the capital gains tax exemption could be worth £6,000 at 28%, or £1,680, a total of £6,680.
- If the individual had instead sold the shares and gifted the proceeds net of basic rate tax to the charity under Gift Aid, the charity would benefit to the extent of £10,000 as before. The individual would obtain income tax relief worth up to £4,500, as before, but would be liable to capital gains tax of up to £1,680. The direct gift of shares would have avoided this liability.

Investments

The income tax relief is available in respect of gifts of-

- Listed company shares. This covers shares and securities listed on the London Stock Exchange, recognised overseas stock exchanges and on the AIM market.
- Interests in collective investment vehicles such as unit trusts, open-ended investment companies or offshore funds.

- Freehold or leasehold interests in land.

The capital gains tax relief is available on gifts of assets of all types.

Points to note include-

- The income tax relief does not apply to gifts of share in unlisted companies.
- The individual must dispose of the whole of his beneficial interest.
- The income tax relief is subject to anti-avoidance provisions and claw back rules.
- Where appropriate, the income tax relief is reduced by the value of any benefits given to the donor.
- There is no specified form required to accompany the gift. A Gift Aid declaration is not applicable.
- For a gift of land, the charity must supply the donor with a certificate showing the land interest gifted and the date of the gift. The charity does not need to issue any certificate to the donor in respect of other types of gifts.
- A gift of listed shares can be effected by the signing of a stock transfer form in favour of the charity, or the equivalent instructions where shares are held in Crest nominees.
- HMRC has indicated that the donor may sell listed shares on behalf of the charity. This is subject to there being satisfactory evidence of the gift to the charity and a request from the charity to the donor to sell on its behalf.

Legislation

- ITA 2007 ss431-445.

Commentary

- Simons Taxes E1.813.
 - HMRC Relief Instructions RE1850.
 - HMRC Capital Gains Tax Manual CG66630.
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