Giving land, buildings, shares and securities to charity

Introduction

This Help Sheet explains how you can get income tax relief on gifts to charity of land, buildings, shares and securities.

The relief is in addition to the capital gains tax relief on gifts of assets to charity. (See our Self Assessment Help Sheet IR295 'Relief for gifts and similar transactions'.)

Companies can get corporation tax relief for gifts to charity for the same types of investment. Companies can get these reliefs in addition to relief from corporation tax on capital gains on gifts to charity of shares, securities and other assets.

When does this tax relief apply?
You can claim if you give, or sell at less than market value, any qualifying investments to a UK charity.

What is a qualifying investment?
The following categories of investment qualify for the relief.

- Shares and securities listed or dealt in on the UK Stock Exchange, including the Alternative Investment Market.
- Shares and securities listed or dealt in on recognised foreign stock exchanges.
- Units in an authorised unit trust (AUT).
- Shares in a UK open-ended investment company (OEIC).
- Holdings in certain foreign collective investment schemes - broadly, schemes established outside the UK equivalent to unit trusts and OEICs.
- The whole of a beneficial interest in a qualifying interest in land and buildings.

There is a list of recognised stock exchanges at Appendix 1.

If you are not sure whether an investment will qualify, you can contact us at the following addresses.

For England, Wales and Northern Ireland
Inland Revenue Charities
St John's House
Merton Road
Bootle
Merseyside
L69 9BB

For Scotland
Inland Revenue Charities
Meldrum House
15 Drumsheugh Gardens
Edinburgh
EH3 7UL

Or call us on **0845 3020203** selecting option 3.

How do I make a gift of shares?

You should first contact the charity you have selected to ensure that it can accept the proposed gift. If it agrees, you then need to sign a transfer form to take the shares out of your name and put them into the name of the charity. You can get a transfer form by contacting the registrars of the company. Their details will be on your share certificate and on your dividend vouchers. The registrars will be able to answer any questions about filling in the form.

Your chosen charity may also be able to help you with the transfer procedure.

How do I make a gift of land and buildings?

You can make your gift to any UK charity and you will need to contact the charity first to ensure that it can accept the proposed gift. Once the charity has confirmed that it can accept the gift you can transfer the property to it.

To claim the relief you will need to obtain a certificate from the charity. The certificate must contain all the following information.

- A description of the qualifying interest in land, which is the subject of the disposal.
- The date of the disposal.
- A statement that the charity has acquired the qualifying interest in land.

There is no prescribed certificate for this purpose and the charity can determine the form its certificate takes.

Can I just give a part share of the property to charity?

No, you must give the whole of your interest in the property. If two or more persons hold the property, all of the joint owners must dispose of their interest in the property to the charity if any of them are to claim relief.

Can I gift a house to charity but continue to live in it until I die?

No, you would not be able to claim the relief under such an arrangement, as you would not have given away the whole of your interest in the property.

How do I calculate the tax relief?

If you are making the gift as an individual, you should deduct the relief when you calculate your income for the tax year in which you make the gift. A tax year runs from 6 April one year to 5 April the next.

Companies should deduct the relief as a charge on income for the accounting period in which they make the gift.

The amount you can deduct is

- the market value of the qualifying investments at the time you give them or sell them to charity, **plus**
- any incidental costs (for example, brokers fees or legal fees), **less**
- any disposal proceeds or other money, or the value of other benefits you, or a person connected with you (such as a relative or connected company), receive in consequence of you giving or selling the qualifying investment to charity.

See examples 1, 2 and 3.

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Example 1

Angela owns 5,000 shares in ABC plc, a company quoted on the London Stock Exchange. The shares are given to a charity when they are worth £10 each. A broker's fee of £50 is charged for handling the transaction. As a token of gratitude the charity gives the donor tickets to an event worth £500.

The deduction that the donor can make is

The value of the shares	£50,000
plus the broker's fee	£50
	£50,050
less the value of the benefit received	£500
	£49,550

Example 2

John owns 1,000 shares in XYZ plc, a company quoted on the London Stock Exchange. The shares are valued at £4.50 each. He would like to give the shares to a charity, but needs to realise some money from them. So, he agrees to sell them to the charity for £2 each. As a token of gratitude the charity gives him a book worth £25.

The deduction that the John can make is

the value of the shares	£4,500
less the amount the charity pays	£2,000
	£2,500
less the value of the benefit received	£25
	£2,475

Example 3

George has owned a second property for some years and decides he will give it to a local charity that he supports.

A qualified property agent values the property at £90,000 and he is charged £400 for the valuation and other legal fees. The charity is grateful and gives George a painting worth £1,000.

The deduction that George can make is

the value of the property	£90,000
plus the valuation and legal fees	£400
	£90,400
less the value of the benefit received	£1,000
	£89,400

How do I claim the relief?
You can claim relief by

- completing the appropriate section of your Self Assessment return, or
- requesting that your PAYE code is amended for the current tax year, or
- requesting that your Self Assessment Payments on Account are reduced.

If you do not receive a Self Assessment return at the end of the tax year, or if you want to claim relief before the end of the current tax year, you should write to your Tax Office, giving full details of the gift, in order to claim the relief.

Companies should include the amount of relief they are claiming in the 'Charges Paid' box on their Corporation Tax Self Assessment return.

What evidence of the gift will I need?
You will need some evidence of the transfer of ownership of the qualifying investments. In the case of a gift of property, you will need to obtain from the charity the appropriate certificate (see 'How do I make a gift of land and buildings' on page 2). For a gift of shares, evidence will take the form of a dated copy of the transfer form or some other dated document irrevocably giving the qualifying investments to the charity.

This is important because the shares will come out of your name on the company's register at a later date, by which time the value of the shares may have changed. You may also continue to receive communications, including dividends, from the company until the transfer has been registered.

What date should I take as the date of the gift for the purposes of establishing the market value of the qualifying investments?
The date on which the qualifying investments are transferred to the charity.

In the case of shares and securities, this is likely to be the date that you sign and hand over the stock transfer document.

For gifts of land, you should take the date on which you disposed of your beneficial interest in the land. Normally this will be the date on which you transferred the property to the charity. However, if the disposal was made under a contract, perhaps a sale at below market value, you should take the date on which the contract was made. If the contract was conditional, take the date on which the conditions were all satisfied. If the gift was made by a declaration of trust, you should take that date. If you have granted a lease to a charity you should take the date you granted the lease.

How do I establish the market value of the qualifying investments?
'Market value' means the price that the investments might reasonably be expected to sell for in the open market.

There are different rules for establishing the market value of shares and securities. Some basic rules are explained in Appendix 2.

For gifts of land and buildings, you need to determine the market value of the property on the date you wish to gift it to charity. Generally, you will need to obtain professional advice as to the market value. The incidental costs of this advice may be added to the market value if they relate to the valuation of the property for that particular gift.

Can I obtain confirmation of the value of my gift before I claim it?
If you have made a gift of land to charity you may want to obtain confirmation from us that we agree the value of your gift before you claim relief in your SA or CTSA Return. As long as you have a valuation of the land at the time you made the gift we can check that valuation for you. Full details of how to get your valuation checked can be found on our website at
www.inlandrevenue.gov.uk/charities/donors.htm

This service is only available for checking your valuation. We are not able to provide valuations of your property. We can only check your valuation after you have made a gift, not before.

What if the charity asks me to sell the qualifying investments on its behalf?
If you contact the charity about making a gift of shares and securities and the charity asks you to sell them on its behalf, you can do so. However, you will need satisfactory evidence (such as an exchange of letters) to show that you have made the gift of the investment to the charity and that the charity asked you to dispose of the investments on its behalf. Otherwise, you may be treated as having made a disposal on your own account and the cash you give to the charity may be treated as a Gift Aid donation. The disposal may also incur a capital gains tax charge.

Once the company registrar has received the stock transfer form and ownership has been transferred, you can no longer dispose of the shares for the charity.

How much relief will I get from capital gains tax?
The amount of capital gains tax or corporation tax that you would have paid if you sold the shares or property, rather than given them to a charity, will depend on a number of factors. Please see our leaflet CGT1 'Capital gains tax. An introduction' for further details.

Is it better to sell the qualifying investments and give the proceeds to charity using Gift Aid?
For companies, it will usually be better to give the shares or property to the charity. If no chargeable gain would arise on the sale, then there is no difference between the two methods.

If you are an individual, it depends on your circumstances and whether you wish the charity or yourself to gain the greater benefit from tax relief. Examples 4 and 5 demonstrate the difference.

Example 4

Paula is a higher rate taxpayer and has shares worth £100,000. If she sells them, she would make a net gain of £25,000 after all reliefs and allowances, and be liable to capital gains tax.

Option A Paula sells the shares and gives the proceeds to charity under Gift Aid.

Gross proceeds of sale of shares	£100,000
less capital gains charge (£25,000 @ 40%)	£10,000
Net proceeds after tax	£90,000

Under Gift Aid, the charity can recover from us the amount of the gift multiplied by

the basic rate of income tax (22%)
100 minus the basic rate (78)

So, if Paula gives the £90,000 to a charity under Gift Aid, the charity can reclaim

£90,000 x 22/78 = **£25,384**

When this is added to the gift, the charity receives in total

£90,000 + £25,384 = **£115,384**

Paula claims tax relief at the difference between the basic rate (22%) and the higher rate (40%) on

£115,384 (18% x £115,384) = **£20,769**

So the gift has cost her

£100,000 - £20,769 = **£79,231**

Option B Paula gives the shares to charity

The charity receives shares to sell or retain as investments	£100,000
Paula gets tax relief on £100,000 at the higher rate of tax (40%)	£40,000

So, the gift has cost Paula £100,000 - £40,000 = **£60,000**

Example 5
Norman is a basic rate taxpayer and has shares worth £780, which came free as part of a demutualisation. He has not made any other capital gain in the year.

Option A Norman sells the shares and gives the proceeds to the charity under Gift Aid.

Gross proceeds of sale of shares	£780
Capital gains charge (within annual exempt amount)	Nil
Net proceeds	£780

If Norman gives the £780 to a charity under Gift Aid, the charity can claim basic rate income tax of

£780 x 22/78 = **£220**

When this is added to the gift, the charity receives in total

£780 + £220 = **£1,000**

Norman has nothing further to claim and the gift has cost him **£780**

Option B Norman gives the shares to charity

The charity receives shares to sell or retain as investment	£780
Norman gets tax relief on £780 @ 22%	£171.60

So, the gift has cost Norman £780 - £171.60 = **£608.40**

Generally, giving the shares to charity will also be simpler, both in terms of the paperwork on the disposal and in completing your tax return, than selling the shares yourself and giving the cash to the charity.

What if I only have a small number of shares, which a charity might not think worthwhile?
You can give your shares to Sharegift, an independent charity share donation scheme. The scheme accepts gifts of small numbers of shares, aggregates them and donates the sale proceeds to a number of registered charities. Sharegift can also facilitate larger share donations to specific charities.

For further information, please contact

Sharegift
46 Grosvenor Street
London
W1K 3HN
Tel: **020 7337 0501**
www.sharegift.org

(Registered charity number 1052686)

Inland Revenue

Further Information

Inheritance tax

Outright gifts and bequests to charity are completely free of inheritance tax.

Capital gains tax

You are not liable to capital gains tax or corporation tax on capital gains when you make a gift of assets, such as land or stocks and shares, to charity. Our leaflet CGT1 'Capital gains tax. An introduction' gives you more details about capital gains tax.

Stamp duty exemption

Charities do not need to pay stamp duty on acquisitions of land or buildings. Further information on this can be obtained from the Stamp Office Telephone Enquiry Line, **0845 603 0135**.

Appendix 1

Recognised stock exchanges

The term 'recognised stock exchange' is defined in Section 841 Income & Corporation Taxes Act 1988 (ICTA). It includes the London Stock Exchange and any Stock Exchange outside the UK approved by the Board of Inland Revenue.

Recognition under Section 841 ICTA is for tax purposes only and does not imply recognition or approval for regulatory or other purposes.

The following list of recognised stock exchanges is correct at the time of writing. An up to date list and further information can be found on the Inland Revenue website
www.inlandrevenue.gov.uk/charities/chapter_5.htm

The Athens Stock Exchange
The Australian Stock Exchange and any of its stock exchange subsidiaries
The Colombo Stock Exchange
The Helsinki Stock Exchange
The Johannesburg Stock Exchange
The Korea Stock Exchange
The Kuala Lumpur Stock Exchange
The Mexico Stock Exchange
The New Zealand Stock Exchange
The Rio de Janeiro Stock Exchange
The Sao Paulo Stock Exchange
The Singapore Stock Exchange
The Stockholm Stock Exchange
The Stock Exchange of Thailand
The Swiss Stock Exchange

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Any stock exchange in the following countries, which is a stock exchange within the meaning of the law of the particular country.

Austria
Belgium (including EASDAQ)
Canada - any stock exchange prescribed for the purpose of the Canadian Income Tax Act
France
Germany
Hong Kong - any stock exchange recognised under Section 2A(1) of the Hong Kong Companies Ordinance
Italy
Ireland (Republic of)
Japan
Luxembourg
Netherlands
Norway
Portugal
Spain

USA - any stock exchange registered with the Securities and Exchange Commission of the United States as a national securities exchange.

USA - the NASDAQ Stock Market as maintained through the facilities of the National Association of Securities Dealers Inc and its subsidiaries.

Appendix 2

How to value different kinds of qualifying investments

Shares or securities quoted in the London Stock Exchange Daily Official List.
You should use either

- the lower of the two quotations on the day in question plus one quarter of the difference between those two amounts, or
- the mid point between the highest and lowest prices on which bargains were done on the day, except for bargains at special prices

whichever is the lower.

Bargains at special prices are clearly shown in the Daily Official List. They should not be included in the comparison of highest and lowest prices. Bargains at special prices are now very rare.

Other shares or securities listed or dealt in on a recognised stock exchange
There is no special formula for valuing these. Their market value is 'the price which those assets might reasonably be expected to fetch on a sale in the open market'.

Where shares are quoted on an overseas stock exchange it will normally be acceptable to take the value as the price quoted on that exchange for the day of the gift, translated into sterling at the rate of exchange for that day.

Prices for these shares and securities and those quoted in the London Stock Exchange Daily Official List are often published in the financial pages of newspapers. The newspaper valuations may be used where the parcel of shares is modest.

Units in UK Authorised Unit Trusts (AUTs).
You should use the 'selling price' (also called the 'bid price' - the price at which units are sold by investors) published by the unit trust manager for the day in question. The 'selling price' is usually given in the financial pages of newspapers under 'authorised investment funds'. If no price was published for the day in question you should use the last price published before that day.

Shares in UK Open Ended Investment Companies (OEICs).
You should use the published price for the day in question. This can usually be found in the financial pages of newspapers under 'authorised investment funds'. If no price was published for the day in question, you should use the last price published before that day.

Holdings in foreign collective investment schemes.
You should use the published price for the day in question. This can usually be found in the financial pages of newspapers under 'offshore or overseas funds'. If no price was published for the day in question you should use the last price published before that day or contact the fund manager.

Appendix 3

What is a qualifying interest in land?

A qualifying interest in land means
- a freehold interest in land, or
- a leasehold interest in land, which is a term of years absolute where the land in question is in the United Kingdom.

An agreement to acquire a freehold interest and an agreement for a lease, are not qualifying interests in land.

In Scotland, references to 'a freehold interest in land' mean the interest of the owner and references to 'a leasehold interest in land, which is for a term of years absolute' mean a tenant's right over or interest in property subject to a lease.

To qualify for this relief you must dispose of the whole of your beneficial interest in the land in question to the charity.

If you grant a lease to a charity either rent-free or below market rent you will not have disposed of the whole of your beneficial interest in the property if you retain the freehold reversion or a head-lease. However, if you grant such a lease you will be treated, for the purposes of this relief, as having disposed of the whole of your beneficial interest.

A person may dispose of the whole of their beneficial interest in land together with any easement, servitude, right or privilege, so far as they benefit that land. For the purposes of this relief, the disposal of the easement etc. is treated as the disposal by that person of the whole of his or her beneficial interest in a qualifying interest in land.

If you own a qualifying interest in land jointly, or in common, with one or more other people, relief will only be due if all of you dispose of the whole of your beneficial interest in that land to the charity. If you give property to charity in this way the relief to be allowed to each of you should be agreed upon by all of you.

There are special rules to prevent this relief being used for tax avoidance purposes. In certain circumstances all entitlement to relief can be withdrawn and any tax due can be recovered by assessment. In broad terms, the circumstances in which this will be done are where, within a specified period, you, or any other person (including a company) becomes entitled to any interest or right in relation to all or part of the land. This does not apply if that person acquires that interest or right for full consideration or as a result of a disposition of property on death.

The specified period is

- for individuals, the fifth anniversary of the 31st January next following the end of the year of assessment in which the disposal was made, and
- for companies, the sixth anniversary of the end of the accounting period in which the disposal was made.

These notes are for guidance only and reflect the position at the time of writing.
They do not affect any right of appeal.

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