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## CHARITIES: SUBSTANTIAL DONORS REGULATIONS

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### Who is likely to be affected?

1. Charities which receive donations between £100,000 and £150,000 from a particular donor in a six year period.
2. The individuals and companies who make those donations.

### General description of the measure

3. The substantial donors rules potentially apply to all charities carrying out transactions with their largest donors (where tax relief is available in respect of their donation(s)). The rules tackle those who influence or set up charities with a view to avoiding tax rather than with any charitable intent.
4. The measure increases the threshold of relievably gifts that a person can make before becoming a substantial donor to a charity.

### Operative date

5. The measure will have effect on and after 23 April 2009.

### Current law and proposed revisions

6. Sections 506A to 506C of the Income and Corporation Taxes Act 1988 and sections 549 to 557 of the Income Tax Act 2007 detail the rules for dealing with charities which carry out certain transactions with their substantial donors. They define a substantial donor as a person that makes tax relievably donations of £25,000 or more to a charity in 12 months or £100,000 or more in a period of six years. Such a person is treated as a substantial donor of the charity for all chargeable periods falling wholly or partly within that 12 month / six year period, and for a further five chargeable periods. A chargeable period for a charitable trust is a tax year and for a charitable company is its accounting period.
7. If a charity enters into a specified transaction with a substantial donor or someone connected to the substantial donor the transaction will be treated as non-charitable expenditure which is subject to a tax charge.

8. The measure will, by regulation, increase the threshold of relievable gifts which a person may make before becoming a substantial donor. The relievable gifts threshold of £100,000 in a period of six years will be increased to £150,000 in a period of six years. The annual threshold of £25,000 will remain the same.

**Further advice**

9. If you have any questions about this change, please contact Roger Blake on 020 7147 2782 (email: [roger.blake@hmrc.gsi.gov.uk](mailto:roger.blake@hmrc.gsi.gov.uk)). Information about Budget measures is available on the HM Revenue & Customs website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)