



## **Budget 2011 – Main announcements that will affect HMRC customers**

This page summarises the key, new announcements made by the Chancellor in Budget 2011 on tax and duties that we think will be of interest to charities and those who make charitable donations.

HMRC and HM Treasury have, today, published *Overview of Tax Legislation and Rates*. That document is primarily designed for tax practitioners and includes further information on all tax changes announced in today's Budget including those announced previously on which the Government has consulted.

### **Charities and Charitable Giving**

#### Inheritance tax – reduced rate

The Government has announced that a reduced rate of inheritance tax (IHT) will apply where 10 per cent or more of a deceased's net estate (after deducting IHT exemptions, reliefs and the nil rate band) is left to charity. In those cases the current 40 per cent rate will be reduced to 36 per cent. The new rate will apply where death occurs on or after 6 April 2012. The Government will be consulting on this measure and will issue a consultation document before the summer.

#### Gift Aid donor benefit limits

The maximum value of the benefits that individuals and companies may receive as a result of making a donation to a charity of more than £10,000 under Gift Aid will increase from £500 to £2,500. The new limit will be subject to the existing rule that the benefit must not exceed five per cent of the gift. HMRC will also publish revised guidance in April 2011 on Gift Aid benefits to clarify a number of issues and misunderstandings that have become apparent following discussions with stakeholders.

#### Gift aid: records for small donations

From April 2013 charities and community amateur sports clubs that receive small donations of £10 or less will be able to apply for a Gift Aid style repayment without the need to obtain Gift Aid declarations for those donations. The amount of small donations on which the new repayment can be claimed will be capped at £5,000 per year, per charity. In order to qualify for this new repayment, charities will need to have been recognised by HMRC for Gift Aid purposes for at least three years, have been operating Gift Aid successfully throughout that time and have a good tax compliance record. The Government will be consulting with charity representatives on the details of the new scheme over the summer 2011.

#### Gift aid: online filing

In 2012-13 HMRC will introduce a new online system for charities to register their details for Gift Aid and to make Gift Aid claims. As a first step towards this, HMRC will publish four new "intelligent" forms for charities to use. The forms contain automatic checks to improve the accuracy of information and reduce administrative burdens. HMRC has worked with the charity sector to develop the new forms and will work with the sector to develop the new online system. HMRC will also work with the charity sector to develop a supporting electronic gift aid database for Gift Aid declarations.

### Changes to the substantial donors rule

The existing substantial donors to charities legislation will be replaced. Following responses received during the consultation amendments have been made to make the legislation clearer and better targeted. The legislation now:

- focuses on “financial advantages”;
- includes a carve out for relevant housing providers and charitable payments made to a charity for onward transmission to a non-charity body; and
- provides for a shorter transitional period before the existing legislation is repealed (reduced from five years to two).

### Gifts of art

The Government is considering introducing a tax reduction for taxpayers who give a work of art or historical object of national importance to the State. A consultation on the proposal will take place over the summer.

### SADonate

The SA Donate scheme is to be withdrawn for repayments of tax due on tax returns for 2011-12 and subsequent years, and for any repayments made in respect of earlier tax years on or after 6 April 2012. Self-assessment taxpayers who are due a repayment of tax from HMRC may currently direct that the repayment should be made instead to a charity of the taxpayer’s choice. SADonate was introduced in 2005 but has not been well used, is not cost-effective and is vulnerable to fraud without extensive upgrading. The resources saved from the withdrawal of SADonate will be redirected to support the introduction of an online claims system for Gift Aid.

## **Tax Administration**

### Office of Tax Simplification - Review of Reliefs

The Office of Tax Simplification (OTS) was commissioned by the Chancellor to undertake a review of the reliefs and allowances available in the tax system. The OTS published their final report on 3 March 2011 (available on the HM Treasury website) in which they recommended abolishing a number of reliefs. Some of these reliefs have no further use, some are poorly targeted and several have an administrative burden that outweighs their benefit. The Government welcomes the recommendations and, based on the findings of the OTS and ongoing work by HMRC, intends to abolish a number of reliefs.