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**THE BENEFITS
OF LIFETIME GIVING**

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Charitable giving during one's lifetime is not just a generous act, it can also be a highly tax-efficient strategy for UK individuals. The tax system offers a range of incentives that reward those who support registered charities with gifts of cash, assets, or art, allowing donors to make a meaningful impact while enjoying valuable financial benefits.

The most widely used method is the cash gift, which is enhanced by the Gift Aid scheme. When you donate cash to a UK charity and complete a Gift Aid declaration, the charity can reclaim the basic rate of tax from HMRC, increasing the value of your donation by 25%. For higher or additional rate taxpayers, the benefits go even further: you can claim back the difference between your highest tax rate and the basic rate on the grossed-up value of your gift. For example, if you give £10,000, the charity receives £12,500, and you could reduce your own tax bill by up to £2,500 if you're a 45% taxpayer. This means your gift costs you less, while the charity receives more.

Gifting assets in specie (such as listed shares, securities, or land) brings a double benefit. First, you are entitled to claim income tax relief on the full market value of the asset at the time of the gift, which can be offset against your taxable income for that year. This can be particularly valuable for higher and additional rate taxpayers. Second, Capital Gains Tax (CGT) is not chargeable on the asset that would otherwise be due on the increase in value. By gifting the asset directly to a charity, you ensure that no CGT is payable, and the charity receives the asset free from tax.

Donating art or other valuable chattels to charity also brings significant benefits. While there is no specific income tax relief for gifts of art, you are exempt from CGT on any gain when the item is given to a charity. This can be especially advantageous if the artwork has appreciated substantially in value. Finally, all outright gifts to UK-registered charities are immediately exempt from Inheritance Tax (IHT). This means that anything you give to charity during your lifetime will not be counted as part of your estate for IHT purposes, regardless of how soon before your death the gift is made.

In summary, lifetime gifting to charity in the UK offers a suite of tax benefits, reducing your income tax and CGT liabilities, and ensuring gifts are free from IHT, making philanthropy both impactful and financially astute.

MAKING CHARITABLE BEQUESTS

Including a charitable bequest in a Will is a powerful way to leave a legacy which reflects the values and passions of the individual making the Will. A charitable bequest can provide individuals with some comfort to know that a portion of their estate is going toward a good cause leaving an impact beyond just passing assets down generationally. What's more, charitable gifts in a Will can offer significant tax benefits. While there are schemes and exemptions which apply in specific circumstances, such as acceptance in lieu or conditional exemption, this brief note summarises simply making gifts to charities at death.

Any gifts left to a registered UK charity in your Will are completely exempt from inheritance tax. There is no cap meaning that individuals can potentially give quite sizeable amounts to a charity. The value of the charitable gift is deducted from an individual's estate before calculating inheritance tax, thereby reducing the taxable value of an individual's chargeable estate.

If at least 10% of the net estate (i.e. after deducting debts, liabilities, and the nil-rate band of £325,000) to charity, the inheritance tax rate chargeable on the balance of the estate is reduced from 40% to 36%.

In essence, the effect of giving at least 10% of the net estate to a charity reduces the distribution to non-charitable beneficiaries by a smaller amount than the total amount given to charity, following the application of the reduced inheritance tax rate.

By way of worked example, a deceased individual has a gross estate worth £1,000,000 and only the nil rate band is the available tax-free allowance. The following table illustrates two scenarios: one where there is a charitable legacy of 10% of the net estate with the balance going to non-charitable beneficiaries; and the second scenario where there is no charitable legacy.

SCENARIO	NO CHARITABLE LEGACY	WITH 10% CHARITABLE LEGACY
Gross Estate	£1,000,000	£1,000,000
Nil-rate Band	£325,000	£325,000
Net Estate	£675,000	£675,000
Charitable Legacy	£0	£67,500
Taxable Estate (after charity)	£675,000	£607,500
IHT Rate	40%	36%
IHT Due	£270,000	£218,700
Net to Non-Charity Beneficiaries	£730,000	£713,800
Charity Receives	£0	£67,500

There are in essence three takeaway points from the worked examples: the residuary beneficiaries receive £16,200 less from an estate with a gross worth of £1,000,000; HMRC receive £51,300 less; and a charity receives £67,500.

While it is perhaps easiest to conceptualise the above as a gift of cash, it is of course possible to give assets or art to a charity. The same rules with regard to the inheritance tax rates apply, namely, 40% on the value above any available tax-free allowances such as the nil rate band. Artwork and other valuable items must be valued professionally for inheritance tax purposes.

It is important to note that the value of assets is rebased as at the date of death and therefore, there is no capital gains tax to pay on the basis that there is no gain between the date of death and the date of disposal of the asset.

SUMMARY

Incorporating charitable bequests into your Will is another meaningful way to support worthy causes. By planning ahead and including these bequests in a suitable estate plan, you can create a lasting legacy, both for your family members and for the benefit of a great charity.

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