

# Finance Bill 2025-26: clause 80 - certain charitable donations not to be treated as supplies of goods

Indirect Tax

OMB

Large Corporate



23 February 2026

Clause 80 of the Finance Bill introduces a new 'VAT relief' for businesses that donate goods to charities. The measure is intended to address a longstanding inconsistency in the VAT treatment of charitable donations, under which the VAT treatment depends on how the charity uses the donated goods.

Under the current legislation, goods donated by VAT-registered businesses for resale by a charity are zero-rated, whereas goods donated for use by the charity or for onward distribution are usually subject to VAT at the standard rate. Clause 80 seeks to address this inconsistency by allowing certain donations for use by the charity or for onward distribution to be treated as outside the scope of VAT, meaning that no VAT is due.

In its briefing on clause 80, the ATT highlights that access to the new relief is subject to several conditions, including item-specific value limits and a requirement for businesses to obtain certification from the recipient charity. These requirements risk creating a significant administrative burden and, in turn, could discourage businesses from making donations to charity.

While the new 'VAT relief' improves fairness, it does not fully align with the existing VAT relief for donations made to charities for resale. Under the existing legislation, businesses face different VAT outcomes, depending on how the charity uses the donated goods. In its briefing, the ATT warned that clause 80 does not remove this complexity but adds a further outcome, under which 'qualifying charitable donations' are treated as outside the scope of VAT if specific conditions are met. As a result, businesses will need to continue to navigate these complex rules to determine the correct VAT treatment for what is, in practical terms, the same activity - a donation of goods to charity.

Clear guidance will be essential to help businesses understand when the relief applies, how the item-specific value limits apply, and what evidence is required. Without clear and understandable guidance, businesses may be discouraged from making donations.

The full ATT briefing is available [here](#).

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Autumn Murphy [amurphy@att.org.uk](mailto:amurphy@att.org.uk)