

Don't throw away. Give away.

National campaign factsheet

February 2026

A new VAT relief to end the cost of giving

From **1 April 2026**, the government will introduce a new VAT relief allowing businesses to donate goods to registered charities for free distribution to people in need or for use in a charity's services without incurring a VAT charge, provided the items fall within set value limits.

Under the **current tax rules**, businesses must pay VAT on these donations unless the goods are zero-rated for VAT purposes, or if the charity sells, leases, or exports them.

This change is designed to make it more **cost-effective for businesses to donate surplus stock**, reduce waste, support families in need, and help charities stretch their resources further.

It removes a long-standing contradiction in the tax system in which donating goods to charities, foodbanks and multibanks triggered up to 20% VAT and extra admin for businesses, while wasting the same items incurred no tax at all - discouraging in-kind giving despite its clear social value.

About the national campaign

A **national campaign is being launched** to raise awareness of the new VAT relief and encourage businesses to donate surplus goods rather than waste them.

The campaign's goal is to **unlock significant volumes of reusable unsold stock**, helping people facing financial hardship and supporting a more circular economy.

Businesses of all sizes - from major to independent retailers - are urged to review their excess inventory and redirect it to charity as soon as the relief takes effect.

In February, the **Rt. Hon. Gordon Brown CH** co-chaired a roundtable with **CBI Chief Executive Rain Newton-Smith**, hosted by **Amazon UK's Country Manager, John Bounphrey**, at their London Corporate Office, which brought together business and charity leaders to discuss donation plans and operational readiness ahead of the relief coming in.

Surge in donations on the horizon

The new VAT relief is expected to **unlock tens of millions of pounds' worth of essential household products** for charitable distribution over the coming year, significantly increasing the volume of essential items reaching families under strain.

The CBI is working with YouGov on a **national business survey** to gather data on the quantities businesses expect to donate under the new tax rules, and will publish an analysis of these donation estimates in March, providing an early indicator of the relief's potential social impact.

How the new VAT relief will work

Value limits

- A **£100 per-item limit** will apply to most donated goods. For example, if a business donates 100 bottles of shower gel, the limit applies per bottle and not per batch. The limit is a safeguard intended to reduce the risk of fraud or abuse.
- A **higher £200 per-item limit** will apply to a *defined list of essential goods* that will play an important role in alleviating digital poverty and household hardship, including:
 - household appliances including cookers, fridges, washing machines, dryers and heaters

- furniture, including mattresses
- flooring (including carpets and rugs)
- computers including tablets
- mobile phones
- **Alcohol, tobacco and vaping products** will be *excluded* to limit misuse risk.
- Businesses can value donated goods using the **original cost price**, or if lower, the **value at the time of donation**, with reasonable adjustments for age and condition.

Eligible recipient charities

- Goods must be donated to **charities that are registered with a relevant regulator**, e.g., *Charity Commission for England and Wales, Office of the Scottish Charity Regulator or Charity Commission for Northern Ireland*, or **registered with HMRC for tax purposes** if they are not required to be registered with a charity regulator (see *further information* below).
- **Charitable incorporated organisations (CIOs)** are included.
- **Community Interest Companies (CICs)** and unregistered **social enterprises** are **not eligible**, as they are profit-distributing and do not receive charity tax reliefs.
- **Small not-yet-registered charities** can only benefit if they **register with HMRC**, a process expected to be straightforward.
- Businesses should review their current and planned charitable distribution networks to ensure recipient organisations qualify under the new scheme.

Use of donated goods

- Charities may give donated goods **directly to people in need free of charge** or **use them in their charitable activities**.
- There are **no restrictions on the specific charitable purpose**, e.g., not limited to charities whose aims exclusively relate to poverty relief, or which individuals may receive goods. The government considers charities are best placed to determine local needs.
- The goods must be **given freely to the charity** by the business with **nothing received in return**. For example, the charity must not provide services-in-kind such as marketing, promotion, or other benefits in exchange for the donation.
- A **charity donating goods to another charity** may currently suffer VAT if it previously recovered input VAT (e.g., through its trading activities) and the goods are not for resale. From 1 April 2026, no VAT will be due on eligible donations used in the recipient charity's services or onward free distribution.

Administration requirements

- HMRC aims to keep administration straightforward, proportionate, and **consistent with existing business practices**, ensuring that the relief supports increased donations without creating unnecessary burdens.
- Record keeping will not be prescriptive and **HMRC will publish guidance** on the types of evidence that can be used to demonstrate entitlement to the relief ahead of the implementation date.
- A light-touch approach is expected for small firms and for **low-value or bulk donations**.
- Responsibility for compliance will mainly rest with the donor business who will be expected to **keep sufficient evidence** of the goods donations that should generally be available within existing operations systems such as:
 - A description of the goods and quantity
 - Original purchase price or the value at donation
 - Date of donation
 - Details of the receiving charity (including confirmation of charitable status)
 - Proof the goods have been dispatched to or collected by the eligible charity
- Charities will not be subject to any additional HMRC record-keeping obligations as a result of this relief but will need to **certify to the donor business** that the goods are used for the relevant purpose – there is no prescribed form, and this can be an annual declaration (rather than per transaction) or included as a warranty clause in the **donations agreement**.

Further information

Partnering with charities

Firms wanting to donate goods can contact:

The Multibank - A UK network of donation hubs that connects surplus goods from businesses with families in need through local charities, reducing poverty and waste.

Locations: Wigan (North-West), Lochgelly (Scotland), Portmead (Swansea, Wales), Redcar (Tees Valley), Felix's Multibank (across London), Birmingham (West Midlands)

Contact: donate@themultibank.co.uk

Website: <https://themultibank.co.uk/suppliers>

The Felix Project - A London-based charity rescuing surplus food and redistributing it to 1,200+ community organisations and schools, providing tens of millions of meals each year to vulnerable children and families.

Locations: Greater London area - Acton (East London), Enfield (North London), Deptford (South London), Poplar (East London)

Contact: supply@thefelixproject.org

Website: <https://thefelixproject.org/>

YouTube: [Felix Project's MultiBank 1 year on](#)

Neighbourly - A giving platform that connects businesses with 45,000+ local charities and good causes to deliver surplus food, products, funding and volunteers directly into communities.

Locations: Various charities and community groups across the UK & Republic of Ireland

Contact: <https://hub.neighbourly.com/help>

Website: <https://hub.neighbourly.com/solution/surplus-donations>

Vimeo: [Aldi & Valley Invicta Primary School at Aylesford on Vimeo](#)

In Kind Direct - A UK charity founded by HM King Charles III that redistributes donated consumer goods to a network of 6,650+ charitable organisations, preventing waste and supporting people in need.

Locations: Charitable network with 6,500+ organisations across the UK

Contact: info@inkinddirect.org

Website: <https://www.inkinddirect.org/>

Please check the charities' or local distribution centres' websites for the types of goods donations they will accept.

If you're looking for further information on priority non-food needs, *Neighbourly* has published data outlining the most requested items. The full summary can be accessed [here](#).

Charity registration requirements

In England & Wales, most charities must register with the *Charity Commission for England & Wales* unless they are exempt or excepted.

You can find out if a charity is registered with the charity regulator below:

[Search the charity register - GOV.UK](#)

Exempt charities are generally governed by a different regulator such as **universities** by the *Office for Students (OfS)* and **academy trusts** by the *Department of Education (DfE)*. **For further information, see Charity Commission guidance below:**

[Exempt charities \(CC23\) - GOV.UK](#)

Excepted charities are not required to register with the *Charity Commission for England & Wales* but are still overseen by the regulator. These include organisations with income of £5,000 or under, or *specific listed types* such as **certain churches, Scout and Guide groups** and **student unions** with income of £100,000 or under. **For further information, see Charity Commission guidance: [Excepted charities - GOV.UK](#)**

In **Scotland** and **Northern Ireland**, there is **no excepted income threshold**, so all charities must register with the relevant regulator in these jurisdictions (*OSCR (Office of the Scottish Charity Regulator)* and *Charity Commission for Northern Ireland*). Northern Ireland proposes to introduce an income and assets threshold exception, but this has not been implemented yet.

To qualify for the new VAT relief, if a charity is not required to be registered with a relevant regulator, they must be registered with HMRC. There is no public register for HMRC-registered charities, so donor businesses should ask for their **HMRC charity tax reference** number.

If a charity is not currently recognised by HMRC for tax purposes, they can apply online providing they meet the qualification requirements:

[Get recognition from HMRC for your charity - GOV.UK](#)

In short, business donors will need assurance from the recipient charity organisation that they are either registered with a relevant regulator for charity law purposes or with HMRC for charity tax purposes and should keep this as evidence.

Charity distribution networks

When a business donates goods into a distribution network, the VAT relief applies at the **first-donation stage**. Intermediaries often manage the onward supply chain and much of the due-diligence - this can make the process simpler and lower-risk for the business.

The donating business must ensure that the organisation receiving the first donation is a **registered charity (as above)**.

Goods donated to charity shops and charity trading subsidiaries

Some charities run **separate trading operations**, such as **charity shops**. The VAT treatment for goods donated for *resale* through these channels remains unchanged - donations of goods for **onward sale by a charity or its trading arm** have always been zero-rated, and this continues to apply.

However, **the new additional VAT relief is different**. It applies only where the charity itself gives the goods away for free or by using them directly in its 'non-business' charitable activities. Goods donated to a charity's trading subsidiary to give away or use in its 'business' activities are not eligible for the new relief, as the trading subsidiaries are not registered charity entities.

To assure donating businesses that the goods will be used for qualifying purposes, the recipient charity is required to provide a form of **declaration** (see above [administration requirements](#)).

Direct tax treatment (e.g., Corporation Tax)

If a business donates stock to a charity, it gets **tax relief on what the stock cost** them - this is different to the retail value. The cost to the business generally includes the cost of manufacturing it, buying it from a supplier (e.g., at wholesale price), importing it, and any related handling and preparation costs. **For further information, see detailed HMRC guidance:**

[BIM45155 - Specific deductions: gifts in kind and payroll giving: relief for gifts of trading stock to charities and other bodies - HMRC internal manual - GOV.UK](#)

If a business has **assets other than stock** that are used in the trade and donated to charities, such as old office equipment coming to the end of its use, normal tax reliefs for capital expenditure will still apply and there is **no tax charge on any value disposed**. There is **no clawback in the**

capital allowance system, so the business is not disadvantaged for making the donation of these assets. **For further information, see detailed HMRC guidance:**
[CA23250 - PMA: WDA & balancing adjustments: Disposal values - HMRC internal manual - GOV.UK](#)

All of the above applies to both **companies (subject to Corporation Tax)** and **unincorporated sole traders and partners receiving income from an LLP or general partnership (subject to Income Tax + Class 4 NICs)**, allowing donations-in-kind to be set against taxable trading profits.

The commercial case for donating unsold stock

Beyond the tax reliefs - and the removal of any VAT charge when goods are donated for eligible charitable use - **donation can be the commercially smarter option**. When stock has little resale value or would require even heavier discounting, the selling and processing costs can outweigh any expected sales proceeds. In some sectors, such as fashion, **processing a returned item can cost 55-75% of the retail price**¹, making clothing donations a less commercially risky option than selling at off-price.

Donating unsold stock can help businesses **avoid waste and disposal costs** that may exceed any remaining sales value, as well as **eliminate ongoing storage and carrying costs** associated with holding slow-moving items.

Carrying costs typically absorb **20-30% of a product's value each year**, covering warehousing, labour, insurance, shrinkage and obsolescence, and **UK big-box warehousing is among the most expensive in Europe**, particularly in London². Donating unsold stock can free up valuable space for faster-selling, higher-margin inventory.

Legal implications of uncollected goods when the owner cannot be reached

Many SMEs operate under **industry-standard terms (such as UKWA)** that allow operators to exercise a **lien over uncollected goods** when owners cannot be reached. While these powers require strict compliance with the **Torts (Interference with Goods) Act 1977** and relevant contractual terms, they can create a lawful route for dealing with abandoned stock once proper notices have been served and collection opportunities exhausted.

Although a lien is not a transfer of ownership, the **regulated process can enable goods to be sold or disposed of**, which in some cases may allow operators to direct suitable uncollected items towards charitable donation, provided all statutory and contractual requirements have been met.

Further detail on standard lien provisions can be found in the UKWA Conditions of Contract:
<https://www.ukwa.org.uk/membership/member-benefits/conditions-of-contract>

HMRC publications (to date)

[HMRC Policy Paper: VAT relief for business donations on goods to charities](#) (26 November 2025)
[Government Consultation Response: VAT Treatment of Business Donations of Goods to Charity](#) (26 November 2025)

Disclaimer

This factsheet is intended to help with general understanding and signposting. Information on the new VAT relief is based on draft material shared with key stakeholders and may change when HMRC's final guidance is released. We recommend speaking with your professional advisers to ensure your business or charity's specific circumstances are fully considered before acting.

If you have any queries, please contact andrew.scott@cbi.org.uk.

¹ [2023 study by the British Fashion Council \(BFC\) and Institute of Positive Fashion \(IPF\)](#)

² [Prime industrial rent costs UK 2025 | Statista](#)