

Submission to HM Treasury ahead of Autumn Budget 2026

Charities Aid Foundation, August 2026

Summary of submission

This submission sets out practical, fiscally proportionate measures HM Treasury can take at the Budget 2026 to strengthen the UK's charitable giving environment and mobilise more private, corporate and philanthropic capital for public benefit. Charitable giving complements public spending and can play a key role in helping the Government achieve its priorities such as tackling the cost of living, ending rough sleeping, building more affordable housing and helping young people into work.

CAF recommends that the Government should:

- **Strengthen regional and place-based giving**, including by widening access to philanthropic advice, embedding a think philanthropy approach into place-based government funding, investing in match funding and funding support for local giving infrastructure.
- **Embed partnership working with the impact economy**, by implementing the recommendations of the Social Impact Investment Advisory Group and ensuring the Office for the Impact Economy is well supported at the centre of the Government.
- **Modernise Gift Aid** by making it simpler and more digital, reviewing the Gift Aid Small Donations Scheme, and simplifying rules for donated goods and visitor admission models.
- **Protect legacy giving** by ensuring pension-related inheritance tax reforms do not disrupt charitable legacies, reforming charity lump sum death benefit rules, and enabling lifetime gifts from pensions.
- **Encourage corporate giving** by piloting a targeted relief for corporate donations beginning with one for donations supporting young people not in education, employment or training; directing social value contributions towards charities; consistent reporting of corporate giving; and introducing model articles for purpose-driven businesses.
- **Broaden tax-effective giving** by reviewing reliefs for gifts of assets, and strengthening cross-border giving.

About the Charities Aid Foundation

The Charities Aid Foundation (CAF) exists to accelerate progress in society towards a fair and sustainable future for all. Over the last 100 years, we have led the way in developing innovative approaches to giving. Annually, we distribute over £1 billion to charities around the globe.

As a leading charity operating from the UK, US and Canada, alongside an international network of partners, CAF works at the centre of the giving world. We collaborate with corporate and individual donors to enable them to give more effectively, strategically and impactfully. This includes connecting them to charities globally and providing access to our in-depth sector knowledge, governance expertise and innovative giving solutions.

We help charities to strengthen their resilience and do more of their life-changing work, through our impact consulting services from our Impact Accelerator, tools to support charities' fundraising activities, and charity financial services from CAF Bank Limited and CAF Financial

Solutions Limited. Using our research, policy and campaigns work, we understand and influence the wider environment for charities and donors.

The state of giving and the state of the charity sector

The giving environment in the UK is becoming increasingly fragile:

- CAF's UK Giving Report 2026 estimates that the British public donated £14 billion to charity in 2025, down from £15.4 billion in 2024, the first fall in total giving since 2021.
- The number of charity supporters has fallen by around six million since 2016, equivalent to roughly 600,000 fewer donors each year, and CAF estimates that charities have missed out on £12.4 billion over the decade as a result of donor decline.

At the same time, charities face rising demand and cost pressures. CAF's UK Charity Insights Report 2025 found that most charities recorded an increase in demand over the previous year with 45% reporting that demand has increased a lot, while only 11% said they were well set up to manage fluctuating demand and keep their operations running smoothly.

This matters for HM Treasury because while charitable giving is not and can never be a substitute for public spending, it is an important source of additional investment in our social fabric. When fewer people give and less money is given, charities have less flexible funding to respond to emerging needs, support prevention, mobilise volunteers and strengthen community resilience. Policy that encourages giving has wider social value.

CAF's UK Local Giving Report 2026 shows where people feel a stronger sense of local pride, they are more generous and more engaged; and where people see charities having a positive impact in their local community, they are twice as likely to donate locally and three times as likely to volunteer.

The Budget is therefore an opportunity to strengthen the enabling environment for philanthropy and giving and help drive forward this government's priorities while supporting a struggling charity sector through this difficult period.

Regional giving and place-based philanthropy

Regional and place-based giving is important for the Government because many of its priorities depend on stronger communities, trusted local institutions and targeted investment reaching the places that need it most. Charities and community organisations are already delivering against shared national goals — from helping young people into work and tackling homelessness, to improving health, strengthening local pride and supporting people through the cost of living. But the capacity to attract philanthropy is uneven across the country, meaning some places with high levels of need have weaker local giving infrastructure and fewer routes to mobilise donors, businesses and community wealth.

If government wants to deliver visible change in every postcode, it should treat philanthropy as a strategic partner for place-based growth, renewal and prevention. Strengthening local giving can multiply public investment, build long-term community assets, and help local leaders connect people who want to give with charities rooted in the places they serve. A stronger place-based giving ecosystem would help ensure that generosity is not concentrated only where wealth or infrastructure already exists, but can support communities across the UK.

Recommendation: Expand access to financial advice on philanthropy across the UK. There is a substantial opportunity if access to advice on philanthropic giving from financial advisers is

expanded: PBE research showed that only 8% of the UK's 5.8 million wealthy individuals receive advice on philanthropy. CAF has also found that only 5% of financial advisers have a high level of confidence advising on giving, while Public First research commissioned by CAF suggests better advice could unlock around £820 million from high-net-worth individuals annually. We welcome the announcement of the working group on this top announced in the Government's plan for growing place-based philanthropy, Our Place to Give.

We urge HM Treasury to participate in the working group which will be led by DCMS. HMT has an important role to play given its responsibility for financial services policy and taxation. The working group should focus on widening financial advice on philanthropy through adviser training and continuing professional development, client prompts, setting up a voluntary code for firms, and strengthening the evidence base on how advice affects the level, quality and geography of giving.

Recommendation: Embed a “think philanthropy” approach in place-based government funding. Departments designing place-based funds should be expected to consider at the earliest stage whether philanthropy, corporate giving, social investment or blended finance could add value. This should include guidance for spending teams on when and how to engage philanthropists and foundations, how to develop matched funding or blended finance models, and how to ensure procurement and value-for-money processes support genuine partnership rather than late-stage fundraising.

Recommendation: Invest directly in new place-based matched funding schemes. HM Treasury should commit funding to new place-based match funds that incentivise local donors, philanthropists and businesses to give in areas with high need and weaker charitable infrastructure.

CAF recommends a two-tier place-based regional match fund, combining immediate matched funding for donations made through accredited local giving vehicles with support for longer-term endowments that can generate sustainable income for local charities and community priorities over time. Government should consider a component of direct funding is needed for the infrastructure that enables charities to fundraise, collaborate and engage with donors locally.

Places could be selected based on need, charitable infrastructure, levels of giving and local capacity, with funding administered through existing local philanthropy infrastructure where possible.

CAF's local giving research shows generosity is not evenly distributed around the UK. In 2025, people across the UK donated an average of 0.9% of disposable income to charity, down from 1.1% in 2024, but generosity varies widely by place: from 0.3% of income in Kensington and Bayswater to 1.6% in Sheffield Hallam. Matched funding can therefore multiply public investment in the place that need it most.

Embed partnership working with the impact economy

Recommendation: Embed partnership working with the impact economy

The Government should work to embed partnership working with the impact economy, which is made up of philanthropy, responsible business and impact investment.

These sources of capital are driven by social purpose and aligned with this government's priorities, and it is important that the policy backdrop enables straightforward partnership with these groups. However, there is inconsistent appetite to partner with the impact economy across government, and there are still significant challenges in rolling out ways of working in partnership.

We urge the Government to implement and resource the recommendations of the Social Impact Investment Advisory Group.

We welcomed the establishment of the Office of the Impact Economy. In its new home at DCMS it must retain its unique cross sector design and broadness of view, including a direct relationship with HM Treasury, cutting across policy areas throughout government and mobilising responsible business alongside philanthropy and impact capital.

Modernising Gift Aid and making it more effective for charities

Recommendation: Modernise Gift Aid. Gift Aid remains one of the UK's most important incentives for charitable giving, but it is complex for many donors and charities to explain and claim, particularly for small charities that lack dedicated finance or fundraising teams. HMRC statistics show Gift Aid was worth around £1.7 billion to charities in 2025, yet it was estimated in 2016 that around £560 million remains unclaimed each year. While updating these figures requires fresh research, we know from our work with charities that claiming the relief remains challenging, and that there is still a substantial volume going unclaimed.

HMRC should take steps to make sure Gift Aid is easy for donors and charities to understand and use, including digitising the process as part of its wider work to simplify the tax system.

Systemic reform should include allowing donors to make a single, reusable Gift Aid declaration covering all their charitable giving; enabling donors to view and amend their Gift Aid status through their HMRC Personal Tax Account; developing a secure way for charities to verify Gift Aid eligibility digitally; and creating better infrastructure so small charities can claim relief with less administrative burden.

The Government should also explore opportunities for simplification, such as considering streamlining and digitising the process of adding Gift Aid to donated goods, and simplifying the rules so that it can be applied to entrance fees without a surcharge.

Government should also review the Gift Aid Small Donations Scheme, including whether thresholds should be updated.

Inheritance tax, pensions and charitable giving

Legacy giving is one of the most important sources of long-term, flexible income for charities. Gifts left in wills can help charities plan beyond short-term fundraising cycles, sustain services through periods of pressure, and invest in prevention, innovation and resilience. They also allow people to continue supporting the causes and communities they care about beyond their lifetime, often in ways that would not be possible through regular giving alone.

Encouraging legacy giving should therefore matter to the Government. The tax system already recognises its public value: charitable gifts are exempt from inheritance tax and, where at least 10% of a qualifying estate is left to charity, the inheritance tax rate on the rest of the estate can fall from 40% to 36%. In the context of rising demand on charities and pressure on public finances, government should ensure that inheritance tax and pension reforms protect this

important source of charitable income and make it easier, not harder, for people to leave a lasting gift to charity.

Recommendation: Ensure Inheritance Tax reforms protect charitable giving. As pensions are brought into the scope of Inheritance Tax from April 2027, HM Treasury should ensure implementation, including the probate system, is appropriately resourced and designed so charitable giving is facilitated rather than disrupted. As the organisation Remember a Charity has argued, legacy giving is a major source of income for charities with an estimated £4.4bn donated to UK charities in 2025, and reforms should avoid administrative delays, uncertainty for executors or unintended consequences that discourage donors from leaving gifts to charity.

Recommendation: Reform charity lump sum death benefit rules. Current rules can result in charities facing a 45% tax charge on pension gifts where the statutory conditions for a charity lump sum death benefit are not met, particularly where the donor dies aged 75 or over. With pensions coming into the scope of Inheritance Tax, this existing inconsistency is likely to become a more serious issue.

Specifically, we urge HM Treasury to look at two currently restrictive features: the benefit can be paid only where there are no dependants, and the charity must have been nominated during the donor's lifetime, with no flexibility to correct omissions after death even where charitable intent is clear. HM Treasury should reform the rules so charitable payments can be made where dependants exist, provided appropriate safeguards are in place, and give pension scheme administrators limited flexibility to honour clear charitable intent evidenced in a will, expression of wishes or letter of wishes.

Recommendation: Allow lifetime gifts from pensions.

Today, lifetime gifts from pension pots can only be made through payroll giving. However, not all pension schemes offer payroll giving. Furthermore, gifts can only be a proportion of the income that is being taken, and people who are not taking income from their pension cannot use the scheme. Government should legislate to allow people to make lifetime gifts from their pensions, enabling donors to bring forward gifts to charity they might not have made until after death, and giving struggling charities much needed income in the short term.

Encouraging corporate giving

CAF's corporate giving research, including the forthcoming *Corporate Giving Report 2026*, shows that too few British businesses are currently contributing to charities in a systematic or transparent way. Only a quarter of businesses support charities in any way and just 17% donate cash. FTSE 100 giving was £1.69 billion in 2025, down from £1.85 billion in 2024. Giving as a proportion of profits has halved since 2009 when donations were around £150m higher than today.

Corporate giving matters to government because it can mobilise additional private resources towards shared national priorities without relying solely on public expenditure. When well designed, policy can encourage businesses to contribute cash, skills, goods, volunteering and community investment in ways that complement public services, strengthen local civil society and support inclusive growth. A stronger corporate giving environment would also reinforce the Government's responsible business agenda by making charitable partnership and community investment a clearer part of good corporate practice.

Recommendation: Pilot thematic incentives – starting by backing businesses to tackle youth economic inactivity. Government should pilot thematic targeted tax reliefs starting with a relief for corporate donations to charities supporting young people who are not in education, employment or training. HM Treasury should pilot a targeted, time-limited tax incentive for companies that donate to accredited charities helping young people who are not in education, employment or training into work, skills or further education.

Recommendation: Put civil society at the heart of social value and procurement reform. Government should ensure social value and procurement reforms reward meaningful partnerships with charities and community organisations. With new rules on central government procurement in force from January 2027, forthcoming guidance should include social value scoring when giving to charities working on the Government's priorities of training, work experience and jobs. Government should collaborate closely with charities to shape national regional and community social value schemes and allow small and medium suppliers to meaningfully invest in their communities by directly funding charities rather than establishing their own schemes.

Recommendation: Require large companies to report charitable giving and community investment consistently. HM Treasury should work with the Department for Business and Trade through the Modernisation of Corporate Reporting programme to introduce a proportionate baseline requirement for large and economically significant companies to disclose their charitable giving and community investment in a comparable way.

Recommendation: Create model articles for purpose-driven businesses. Companies House should introduce new model articles to align shareholder and stakeholder interests, making it easier for purpose-driven companies to be set up. Tracking the take-up of this would support the development of potential further legislative reform.

Broadening tax-effective giving and philanthropy infrastructure

Growing philanthropy by unlocking new forms of tax effective giving and investing in the infrastructure for philanthropy would make it easier for people to give in the way their wealth is actually held, unlock more private capital for public benefit, and strengthen the UK's position as a trusted global centre for philanthropy. A broader, more modern giving infrastructure would help support charities now while building a stronger long-term funding base for civil society.

Recommendation: Broaden tax-efficient charitable giving of assets. HM Treasury should review how the tax system supports charitable gifts of assets, starting with private shares and considering other appraisable assets where there is clear philanthropic potential and appropriate safeguards. The UK's reliefs remain heavily oriented around cash giving, despite the fact that wealth is increasingly held in assets. A clearer and more practical regime for non-cash giving could increase donations from higher-value assets while maintaining protections against avoidance and valuation risk.

Recommendation: Strengthen cross-border giving so the UK can act as a trusted global hub for philanthropy. HM Treasury should work with relevant departments and regulators to ensure the UK has a proportionate and trusted framework for cross-border philanthropy. This should support donors who wish to give internationally while maintaining robust safeguards on due diligence, sanctions, anti-money laundering and charity compliance, by placing trusted intermediaries (such as UK Donor Advised Fund providers, lawyers or accountants) at the heart of a new cross-border giving approach. A well-designed framework would reinforce the UK's

standing as a global centre for philanthropy and responsible financial services – encouraging donors to base their philanthropic activity in the UK, for distribution within the UK and globally.

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