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Corporate Donations in the UK — Tax Relief Overview

In the United Kingdom, **limited companies** making donations to eligible charitable organizations can benefit from **Corporation Tax relief**, provided certain conditions are met.

Key Conditions for Tax Relief on Corporate Donations

1. **Eligible Beneficiaries**
The donation must be made to a **UK-registered charity** or **Community Amateur Sports Club (CASC)** recognized by **HMRC** as eligible to receive tax-deductible donations.
2. **No Direct Benefit to the Company**
The donation must be **freely given**, with **no significant benefit** received in return (e.g., no substantial gifts, services, or advertising beyond nominal value).
3. **Accounting for the Donation**
Donations must be recorded properly in the company's accounts and declared in the **Corporation Tax return (CT600)** for the accounting period in which they were made.
4. **Deductibility from Profits**
The **full amount** of the donation can be **deducted from the company's profits** before Corporation Tax is calculated.
 *There is no upper limit set by law*, but the deduction cannot create or increase a trading loss.
5. **Eligible Donation Types**
The following are eligible for tax relief:
 - Cash donations
 - Donations of equipment or trading stock
 - Land, property or shares (excluding shares in the donor company)
 - Secondment of employees (providing staff on a temporary basis to a charity)

Example: £5,000 Donation by a UK Company

- **Company profits (hypothetical):** £100,000
- **Donation made to a registered UK charity:** £5,000
-  **Tax Relief Calculation:**
- The company deducts £5,000 from its profits
- **Taxable profits after donation:** £95,000
- At 25% Corporation Tax rate, tax saving = £1,250
- **Actual cost to company:** £3,750

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What the Company Needs to Claim the Relief

- A **receipt or acknowledgment** from the charity (not mandatory by law, but strongly advised for audit trail)
 - **Proper accounting records** showing the donation and the recipient
 - Confirmation that **no significant benefit** was received in exchange
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Importance of Documentation

While the UK does **not require a formal "fiscal receipt"**, it is essential to retain:

- Charity's details and registration number
- Amount and date of the donation
- Description of any goods/services provided (if applicable)
- Confirmation that it was a **pure donation with no substantial return benefit**

These records should be kept as **evidence for HMRC**, particularly in the event of an audit or tax enquiry.