

Gifts of Pre-Eminent Objects

Who is likely to be affected?

This measure will affect individual and corporate owners of pre-eminent objects (such as a work of art or other item that is of national, scientific, historic or artistic interest) who want to donate them to the nation.

General description of the measure

The aim of this scheme is to stimulate lifetime giving by encouraging taxpayers to donate pre-eminent objects, or collections of objects, to the nation. The objects may be loaned or given to appropriate institutions including certain charities and accredited museums for safe keeping and to provide public access. In return, donors will receive a reduction in their UK tax liability based on a percentage of the value of the object they are donating.

Policy objective

The objective of this policy is to encourage and support greater philanthropy.

Background to the measure

At Budget 2011 the Government announced a series of substantial reforms to encourage more philanthropy and charitable giving.

This measure was the subject of a consultation over the summer and is a scheme to provide a tax reduction to people who, during their lifetime, donate works of art or historical objects of pre-eminent importance to the nation.

At the Autumn Statement, the Government announced that the annual limit available for both tax reductions under the new scheme to encourage gifts of pre-eminent objects, and taxes offset under the existing inheritance tax Acceptance in Lieu (AIL) scheme, would be increased from £20 million to £30 million.

Detailed proposal

Operative date

The measure will take effect on an appointed day after the date that Finance Bill 2012 receives Royal Assent.

Current law

There is no scheme already in existence to encourage people to give pre-eminent objects to the nation in return for a reduction in a donor's tax liability. The AiL scheme enables estates to offer pre-eminent objects (including land, buildings and contents) to set against an inheritance tax liability based on the value of the item(s). There is no philanthropic element to the AiL scheme, and it only applies to inheritance tax liabilities and not to other taxes.

Proposed changes

A potential donor will offer to give a pre-eminent object (or collection of objects) to the nation with a self-assessed valuation of the object. A panel of experts will consider the offer and, if it considers the object is pre-eminent and should be accepted, the panel will agree the value of the object with the donor. If the donor decides to proceed based on that valuation they will receive a tax reduction (for individuals, income tax and/or capital gains tax, and for companies, corporation tax) as a fixed percentage of the object's agreed value. The fixed percentage will be 30 per cent for individuals and 20 per cent for companies. Individuals will be able to spread the tax reduction forward across a period of up to five years starting with the tax year in which the object is offered. The donor will specify in advance how the tax reduction is to be used.

Summary of impacts

Exchequer impact (£m)	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	-	-15	-15	-15	-15	-15
	These figures are set out in Table 2.1 of the Autumn Statement and have been certified by the Office of Budget Responsibility. More detail can be found in the policy costings document published alongside the Autumn Statement.					
Economic impact	This measure is not expected to have significant economic impacts. However, in the longer term the scheme will increase the attractiveness of the UK as a cultural tourism destination, which will have associated benefits for the economy.					
Impact on individuals and households	This measure will affect only a small number of individuals who are owners of pre-eminent works or objects who might wish to consider donating them to the nation.					
Equalities impacts	The potential equality impacts of this policy have been considered. No different impact on any equality group has been identified.					
Impact on business including civil society organisations	There will be negligible impact on businesses as the scheme will be of interest to only a very few businesses. Museums, galleries, archives etc, many of which are charities, will be interested in the new scheme as it will open a new route for them to receive pre-eminent objects.					
Operational impact (£m) (HMRC or other)	HM Revenue & Customs will need to set up processes to apply and monitor tax reductions given to taxpayers under the new scheme. The extent of the processes and the costs will depend on the number of donors using the scheme. The Department for Culture, Media and Sport will need to refresh the panel of experts currently serving on the AiL panel.					
Other impacts	No other impacts were identified.					

Monitoring and evaluation

The scheme will be kept under review through communication with taxpayer groups and museums and galleries affected by the measure, and through assessment of the demand for the scheme, including the impact on the AiL scheme.

Further advice

If you have any questions about this change, please contact Keith Nichol on 020 7211 6216 (email: keith.nichol@culture.gsi.gov.uk) in regards to the general scheme, and Joanne Shelling on 020 7147 2401 (email: joanne.shelling@hmrc.gsi.gov.uk) in regards to the tax reduction.

