

## Charities and tax abuse: an example from the GAAR consu...

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The government appears to know that [charities can be abused for tax purposes](#), as I have suggested is possible this morning. I know that because last July in [their GAAR consultation](#) they included the following example of an abusive tax arrangement, which would seem to be based on facts:

### **Example 3: “Gifts” to charity**

This scheme was another wholly artificial arrangement where a taxpayer, who sustains no economic loss, claims relief for a gift to a charity which in reality receives almost no value.

An individual acquires gilts, which are ‘gifted’ to a charity once the charity has granted put options to two trusts. The beneficiary of the trusts is the individual making the ‘gift’. The put options allow one of the two trusts to acquire the gilts at 1% of the market value subject to certain conditions.

The gilts are then sold by the trusts, and the sale proceeds are returned to the individual by way of interest free loans.

The individual claims relief for the gift of the shares. By setting the market value of the gilts against his income for the year, the individual effectively receives relief at 40% of the market value of the gilts.

I can't find such a case being litigated. I do suspect HMRC had seen something like this. Remarkably little attention was given to the example at the time. I hope more might be given to it now.