

## Tax reform of the day: restricting tax relief on gifts ...

Published: January 13, 2026, 6:49 pm

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The UK has a complex tax system. Very large parts of it appear to be designed solely to assist the wealthy pay less tax. The result is that, overall, those on highest incomes in the UK pay no more tax as a proportion of their income than most do in our society, and may well pay much less as a proportion of income than those with the lowest incomes of all. This is why I have been [writing a series](#) on necessary tax reforms to tackle income and wealth inequality in the UK. In this context my next recommendation makes complete sense:

### **Abolish higher rate tax relief on gifts to charity**

In 2012 George Osborne made one of his rare sensible tax reform proposals. He suggested restricting the tax relief available to any taxpayer on the gifts that they might make to charity to the basic rate of income tax. The result would have been that the higher rate tax relief on gifts to charity that those who pay the 40% and above tax rates now enjoy would be eliminated.

A brief explanation is required. When a person donates to a charity and claims gift aid the income donated ceases to be deemed theirs and becomes that of the charity. The charity can reclaim the basic rate of tax. An 80p donation gives rise to a 20p tax reclaim by the charity in that case.

But if the taxpayer pays tax at higher rates they can then reclaim the higher rate of tax, as the government explains [here](#). **This means that in the example given a 40% taxpayer can claim an additional 20p of tax back. The charity gets no benefit from that. Only the taxpayer does.**

**This makes no sense at all. I have explained why [here](#).**

**What it does mean is that wealthy individuals can direct greater parts of government spending to causes that matter most to them. This is inappropriate. There should be equality on this issue, at the very least, and even then bias would remain as the wealthy have more to give. What is also**

**inappropriate is that the relief does not go to the charity and there is very little evidence that wealthy donate more when they know this.**

**This relief has to go. It makes a mockery of the concept of charity.**