

Paying Gift Aid to the parent charity – five useful tips

Crystal Leader, Senior Tax Manager from Moore Kingston Smith, delivered a back-to-basics session on Gift Aid from subsidiary companies at the Charity Tax Group Conference on 5 December 2025. We have asked her to summarise the key points in this newsletter article to benefit more members.

1. Section 199 claim (carrying back gift aid by 9 months)

By default, Gift Aid payments offset the taxable profits of the subsidiary in the year they are paid. For a company with a December year end, Gift Aid paid in September 2025 offsets the December 2025 profit.

Alternatively, companies wholly owned by charities may make a claim under Section 199 Corporation Tax Act 2010. By doing so, its Gift Aid payment may be carried back by nine months. For the same company with a December year end, a Gift Aid payment made in September 2025 can be offset against the December 2024 profit when a Section 199 claim is made.

Making the claim is straightforward – simply add a narrative on your tax return. You may use this example narrative: The company is wholly owned by the charity (name). It makes a claim under Section 199 Corporation Tax Act 2010 to use (£amount), paid in September 2025, to offset the taxable profits for the year ended 31 December 2024.

2. What to do if the subsidiary company has paid too much Gift Aid

Do not worry. The excess payment will not be wasted if the Section 199 claim is made correctly.

Example:

The company paid £500,000 Gift Aid in September 2025 to offset December 2024's taxable profits. When the tax return was finalised in December 2025, taxable profits were only £400,000.

On the final tax return, make the Section 199 claim for the £400,000 only. The remaining £100,000 paid, by default, will offset the December 2025 taxable profits.

3. What to do if the subsidiary company does not have sufficient reserves at year end

Again, this is not necessarily a problem. The company needs to have sufficient reserves at the time of making the Gift Aid payment, but not necessarily at year end. If the Gift Aid is paid in September 2025, the company may have built up its reserves sufficiently during the nine months which have elapsed since the year end.

4. What to do if a charity acquires a new company

If a charity acquires a new subsidiary company, the company has the extra nine months to pay Gift Aid immediately after the acquisition.

5. Surrender of excess Gift Aid payment within a group

Provided that sufficient reserves are available, a subsidiary company may make Gift Aid payments that exceed its own profits. The excess deductible amount under the Gift Aid rules may be surrendered as group loss relief to offset other group companies' taxable profits. This is useful if some group companies do not have sufficient cash or reserves to make the Gift Aid payments for themselves.