

## **CLAS CIRCULAR**

### **2025/13 (01 December)**

#### **Disclaimer**

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It would be very helpful if members could let us know of anything that appears to indicate developments of policy or practice on the part of Government or other matters of general concern that should be pursued.

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## CHARITIES & CHARITY LAW

### Charity Commission: How charities can make a moral, or 'ex gratia', payment (CC7)

For information and **possibly for action**

The Charity Commission has issued updated guidance on [How charities can make a moral, or 'ex gratia', payment \(CC7\)](#). It begins by noting that

"Charities can only spend their funds and property on furthering their charitable purposes in ways set out in their governing document. But there may be times when trustees feel they have a moral obligation to:

- pay money out of the charity's funds, or
- transfer charity property, or
- waive a right to money or property to which the charity is legally entitled but has not yet received.

For ease this guidance refers to these scenarios as making a 'moral' payment or an 'ex gratia' payment."

Further:

"Charities have a legal power to make a moral payment, without Charity Commission authority:

- if they aren't restricted from doing so by their governing document
- if it falls within set payment limits (explained below) and
- if the legal tests set out above are met."

The Commission's "set payment limits" are:

*Charity's gross income in its last financial year*      *Maximum individual payment allowed without Commission authority*

£0 to £25,000	£1,000
£25,001 to £250,000	£2,500
£250,001 to £1m	£10,000
Over £1m	£20,000

We suspect that this issue may arise when, for example, the trustees of a trust that had historically benefited from the slave trade wish to make a donation to an appropriate body in recognition of that fact.

[Source: Charity Commission, 27 November]

### VAT relief for business donations of goods to charities

For information and **possibly for action**

The Government has announced a new VAT relief for business donations of goods to charity for onward distribution or use in the delivery of their services: In the accompanying document, *VAT Treatment of Business Donations of Goods to Charity: Summary of Responses*, the Government has concluded that it should take a light-touch approach in implementing the new relief:

- HMRC will provide guidance on how it expects businesses to evidence their entitlement to the relief;
- businesses will have to demonstrate eligibility for the relief through certification from the charity receiving the donations confirming that the goods will be used or distributed for charitable purposes, but HMRC will not be prescriptive about the format of the certification which will be accepted as evidence;
- donor businesses will be expected to retain evidence that goods have been delivered or otherwise made available to an eligible charity, but a delivery note or equivalent will suffice;
- donor businesses will also be expected to keep appropriate records to support claims for relief, including details such as product descriptions, quantities, values, and the identity of the receiving charity; and
- HMRC will not impose additional record-keeping obligations on charities.

Value limits will be applied to donated items to safeguard against misuse, with higher limits available for listed goods.

[Source: HM Treasury, 26 November]

## Charity compliance and tainted donations

For information

As foreshadowed earlier in the year, the Government intends to legislate on tainted donations:

“The Government will introduce legislation to strengthen the charity tax rules on tainted donations, approved investments and non-charitable expenditure. These changes will be legislated for in Finance Bill 2025-26 and will take effect from 6 April 2026.”

The Tainted Charity Donations rules are based on a purpose test that considers the effects of, and the circumstances in which, the donor or someone connected to the donor enters into arrangements to make the donation, and whether those arrangements are deemed to obtain a financial advantage. Three conditions must be met for a donation to be considered a tainted charity donation:

- Condition A — the donation to the charity and arrangements entered into by the donor are connected.
- Condition B — the main purpose of entering into the arrangements is for the donor, or someone connected to the donor, to receive a financial advantage directly or indirectly from the charity.
- Condition C — the donation is not made by a qualifying charity-owned company or relevant housing provider linked with the charity to which the donation is made.

Where all three conditions are satisfied, the donor loses any tax relief that he or she would have been entitled to claim had the donation not been tainted. An additional charge to tax may also arise where the donation would have been eligible for relief under the Gift Aid Scheme (for individual donors only).

[Source: HMRC, 26 November]

**IHT avoidance**

<b>For information</b>
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The Budget Speech included the following announcement:

“The Government will legislate to prevent Inheritance Tax avoidance through certain loopholes, including ensuring UK agricultural property held via non-UK entities is treated as UK-situated, addressing changes in status of trust assets before and [at] exit charge, and **restricting charity exemptions to direct gifts to UK charities and clubs**. This will be legislated for in Finance Bill 2025-26 and will take effect for trust exit charges from 26 November 2025, gifts to charities in lifetime from 26 November 2025 or on a death from 6 April 2026, and for UK agricultural property from 6 April 2026” [emphasis added].

But the sector can hardly argue against that.

[Source: HM Treasury, 26 November]

## FAITH AND SOCIETY

### Law reform: humanist weddings and cohabitation

For information

Baroness Levitt KC, Parliamentary Under-Secretary of State at the Ministry of Justice, has responded to a letter of 22 October from Andy Slaughter, Chair of the House of Commons Justice Committee, on the Government's recent announcement on the legal recognition of humanist marriages in England and Wales and the Government's proposed consultation on cohabitation.

On humanist weddings, she confirmed that the Government remains fully committed to legal recognition for humanist marriages in England and Wales; however, "[a]fter careful consideration, the Government has decided not to use the existing order-making power under the Marriage (Same Sex Couples) Act 2013 legally to recognise humanist weddings", since to do so "would introduce new inequalities into the legislation because it would give humanists more freedoms in relation to their weddings than most religious groups"... Further, "using the order-making power would not resolve other issues in marriage law which affect all groups. Under the current law, there are groups who are unable legally to marry in accordance with their traditions," (for example, Muslims).

The Government believes that the issues are complex and that "only comprehensive reform will deliver a fair, lasting outcome for all groups"; further, it would not be an efficient use of public funds "as it would duplicate work and costs ahead of wider reform which will benefit all groups".

As to the issue of providing legal protection for cohabitating couples, Mr Slaughter had asked whether a formal consultation on cohabitating couples was still expected before the end of 2025. To which she replied:

"As you know, we committed to launching a public consultation as to the form cohabitation reform should take and our priority remains to legislate on this manifesto commitment. My officials are working with me on the details of the consultation and I will share a more detailed timeline on this and other measures we are taking forward in due course."

The text of the letter is [here](#).

[Source: MoJ, 6 November]

## EMPLOYMENT

### National Living/Minimum Wage

<b>For information</b>
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Churches and charities should note that the Government has accepted the recommendations of the Low Pay Commission in full, meaning that, from 1 April 2026:

- The National Living Wage will increase by 4.1% to £12.71 per hour.
- The National Minimum Wage for 18–20-year-olds will increase by 8.5% to £10.85 per hour, and for 16-17-year-olds and apprentices by 6.0% to £8.00 per hour.
- The accommodation offset will increase by 4.1% to £11.10 per day.

[Source: HM Treasury, 26 November]

## PROPERTY & PLANNING

### High Value Council Tax Surcharge

For information and **possibly for action**

The Chancellor announced the introduction of a new High Value Council Tax Surcharge (HVCTS) in England for residential properties worth £2 million or more, which is due to come into effect in **April 2028**. This charge will be based on updated valuations to identify properties above the £2 million threshold *and will be in addition to the existing Council Tax*. The additional charge will start at £2,500 per year, rising to £7,500 per year for properties valued above £5 million, and will be levied on **property owners** rather than on occupiers.

The Government will consult on the detailed implementation of the HVCTS in the New Year, including to determine who might need additional support to pay the charge and how to deliver it.

[Source: HM Treasury, 26 November]

### Implementing the Renters' Rights Act 2025: a roadmap

For information and **possibly for action**

As you may have seen, the Renters' Rights Act received Royal Assent on 27 October 2025. On 13 November, the Ministry of Housing, Communities and Local Government published a roadmap for reforming the Private Rented Sector ("PRS"). The Act aims to empower renters through a series of provisions and measures, which will be introduced in three phases.

Phase 1 will begin from **1 May 2026**.

Of the Phase 1 measures, the most important will be the abolition of section 21 'no-fault' evictions and introducing Assured Periodic Tenancies in the PRS. This means that tenants will be able to stay in their property for as long as they want, or until a landlord serves a valid section 8 notice. Further measures can be found [here](#).

The Act's remaining provisions will be brought into force in two further phases.

From **late 2026**, the PRS Database PRS Landlord Ombudsman will be introduced, allowing for greater communication and dispute resolution between tenants and landlords. The Database of PRS properties will bring together key information for landlords, tenants and councils. The Database will allow landlords to understand their obligations and demonstrate compliance.



Signing up to the Database will be mandatory for all PRS landlords and they will be required to pay an annual fee, although this is to be confirmed.

Phase three will focus on raising standards through the extension of the Social Housing (Prescribed Requirements) (England) Regulations 2025 (aka "Awaab's Law"), which came into effect on 27 October 2025, and a modernised Decent Homes Standard to the PRS. The timescales for implementing these changes will be subject to consultation.

While consultation responses are being worked through and considered, the expectation is that landlords should commence works earlier, where feasible. Awaab's Law will also be extended to the PRS, setting enforceable timeframes within which PRS landlords must make homes safe where they contain serious hazards. Further consultations on this will follow.

[Source: MHCLG, 13 November, Trowers & Hamlin LLP, 4 July]