



Charities and Capital Gains Tax

The Reverter of Sites Act 1987 can lead to significant and unexpected tax liabilities for Charities holding land and property that are no longer being used for their intended charitable purpose.

Under the School Sites Act 1841, the Literary and Scientific Institutions Act 1854, and the Places of Worship Sites Act 1873, land and property could be gifted to Trustees who would hold the land for a specific charitable purpose such as a School or Museum. If the land ceased to be used for its intended charitable purpose, it would revert back to the donor, or more typically their heirs.

Following the enactment of the Reverter of Sites Act 1987, when the land and property ceases to be used for its intended charitable purpose, the Trustees now hold the land in Trust for the person with the right of reversion.

Not only does this place a responsibility on the Trustees to advertise and establish the identify of any person with the right of reversion (the "Reverter"), it can also lead to significant capital gains tax liabilities some of which may have gone unnoticed for many years. This can open up the Charity to late payment interest and penalties in additional to the tax.

The extent of the Capital Gains Tax liabilities is dependent on when the property stopped being used for charitable purposes, when the identity of Reverter is established, if the Trustees have sold the property and when this occurred, and the market value of the property over that time period. In some instances Charities can be exposed to more than one tax liability.

Understanding the issue and identifying any exposure to undeclared tax liabilities is crucial to mitigating the eventual cost.

How we can help

MHA Broomfield Alexander has extensive experience of identifying risk areas, advising on the capital gains tax liabilities, and negotiating disclosures directly with HMRC.

Contact us

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