

## Charitable Tax Exemption

This Manual should be read in conjunction with sections 207, 207A, 208, 208A, 208B, 209 and 848A and Schedule 26A Taxes Consolidation Act 1997.

### Part 07-01-06

Document last updated January 2025



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## 1 What constitutes a charity?

The definition of “charity” in both sections 208 and 208A Taxes Consolidation Act 1997 (TCA) states:

“charity” means any body of persons or trust established for charitable purposes only [.]

However, there is no comprehensive definition of the terms “charity” or “charitable purposes” in the TCA. The modern interpretation of the term “charitable purposes” is taken from Lord Macnaghten’s judgement in *Commissioners for the Special Purposes of the Income Tax v Pemsel* in 1891 (3 TC 53). The Charities Act 2009, introduced to make provisions for the registration, regulation and protection of charitable organisations and trusts, broadly adopted the definition of charitable purposes outlined in the *Pemsel* case, which are included in section 3 of that Act:

- the prevention or relief of poverty or economic hardship;
- the advancement of education;
- the advancement of religion; or
- any other purpose of benefit to the community.

Section 4 Charities (Amendment) Act 2024 adds a number of other charitable purposes to those listed above, which can be seen [here](#).

A body which is refused charitable tax exemption, or a charity whose exemption is withdrawn, has a legal right to appeal that decision to the Tax Appeals Commission. Before an appeal can be heard, however, there must be evidence that a charge to tax has been incurred by the body seeking the exemption or the charity seeking to have its tax exemption reinstated, as the case may be.

## 2 Regulation of charities

The general regulation of charities, including monitoring of the activities of individual charities, is a matter for the Charities Regulator, an independent body set up under the Charities Act 2009. All applications to register as a charity must now be submitted to the Charities Regulator under Section 39 of the 2009 Act. Once a charity has been registered with the Charities Regulator it can apply to Revenue’s Charities and Sports Exemptions Unit for the charitable tax exemption.

For information about the registration and regulation of charities, please contact the Charities Regulator:

**Address:** 3 George’s Dock, IFSC, Dublin 1, D01 X5X0.

**Phone:** 01 6331500

**Email:** [info@charitiesregulator.ie](mailto:info@charitiesregulator.ie)

### 3 Exemptions from tax and other relevant provisions

Tax exemptions are available to charities in respect of

**Income Tax:** Sections 207 and 208 TCA

**Corporation Tax:** Sections 76 and 78 TCA

**Capital Gains Tax:** Section 609 TCA

**Deposit Interest Retention Tax:** Section 266 TCA

**Capital Acquisitions Tax:** Sections 17, 22 and 76 Capital Acquisitions Tax Consolidation Act 2003

**Stamp Duty (on a transfer or lease of land):** Section 82 Stamp Duties Consolidation Act 1999

**Professional Services Withholding Tax:** Section 520 TCA 1997

Other tax issues relevant to charities are detailed below.

**Dividend Withholding Tax (DWT):** is provided for in Part 6 Chapter 8A TCA. DWT does not have to be deducted from distributions to charities in certain circumstances. Please see Tax and Duty Manual (TDM) [Part 06-08A-01](#) for further details.

**Local Property Tax:** under sections 7 and 7A Finance (Local Property Tax) Act 2012, residential properties of certain charitable trusts may, in specific defined circumstances, be exempt from Local Property Tax.

**PAYE/PRSI/USC:** Charities that are employers must operate the PAYE system when paying emoluments to their employees and are treated in the same manner as any other employer.

**VAT:** While there is no general VAT exemption for charities, some VAT reliefs may apply to charitable bodies. Please see the [VAT Compensation Scheme](#) page on the Revenue website for further information on these reliefs.

### 4 Applying for charitable tax exemption

Applications for charitable tax exemption must be made through ROS. The online application form, known as the Charities and Sports Bodies e-Applications, outlines the application procedure and sets out the supporting documentation which must be submitted with the application.

Further information on applying for the charitable tax exemption is available [here](#).



The applicant must ensure it has proper systems in place for the keeping of adequate accounts and records and, if necessary, that it is registered for PAYE and VAT purposes. Revenue has noted that some bodies with charitable tax exemption may not be fully aware of their obligations regarding the operation of the PAYE system for employees. As stated above, the exemptions from income tax under section 207 or 208 TCA do not affect the PAYE, PRSI or USC obligations of a body or trust in its capacity as an employer.

A charity may be subject to a Revenue compliance intervention in the same manner as any other body. Revenue may withdraw the charitable tax exemption where it is satisfied that the charity is no longer eligible for the exemption. In such cases, the exemption will be withdrawn from the date which the charity was found to be no longer eligible (section 208B(7) TCA). Notwithstanding any obligations concerning the confidentiality of taxpayer information under section 851A TCA or other legislation, Revenue will inform the Charities Regulator of cases where the exemption is withdrawn (section 208B(8) TCA).

## 5 Rent of properties exemption – section 207 TCA

Section 207 TCA grants exemptions from income tax on:

- rents and profits of any property belonging to a hospital, public school or almshouse, or vested in trusts for charitable purposes, in so far as the rents and profits are applied to charitable purposes only;
- interest, annuities, dividends or shares of annuities taxable under Schedule C; yearly interest or other annual payment chargeable under Schedule D; and on any distribution chargeable under Schedule F, forming the income of any body of persons established for charitable purposes, in so far as the income is applied to charitable purposes only; and
- any interest, annuities, dividends or share of annuities in the names of trustees applicable towards the repair of buildings “used solely for the purposes of divine worship”, insofar as the income is applied to such purposes.

By virtue of section 207A TCA, the Charities Regulator is deemed to be a body with the charitable tax exemption under section 207 in respect of income from the Common Investment Fund, which was vested in the Charities Regulator in 2014.

## 6 Trading and professional profits exemption - section 208 TCA

Section 208 TCA exempts from income tax trading profits and (from 1 January 2024) professional services income arising to charities. There are two important requirements attaching to the trading and professional exemption.

First, the income must be applied solely to the purposes of the charity.

Second, one of the following conditions must be satisfied:

- the trade or profession must be exercised in the carrying on of a primary purpose of the charity – for example, where a religious organisation sells religious books and magazines, the main object of the organisation is the promotion of religion and the sale of books and magazines is a facility to achieve that object; or
- the work in connection with the trade or profession is carried on mainly by beneficiaries of the charity - for example, the sale of goods produced by people with a disability through a shop or mail order/online catalogue.

## 7 Overseas Charities – section 208A TCA

Section 208A TCA provides that a person or trust established in a member state of the European Economic Area (EEA), the European Free Trade Association (EFTA) or the United Kingdom can apply to Revenue to seek a determination that, if it had income in the State referred to in either section 207 or 208 TCA, the person or trust would qualify for the charitable tax exemptions provided under those sections. Revenue may authorise officials to determine claims for exemption under section 208A TCA. Section 208B provides that Revenue may appoint a “qualified person” – that is, a person qualified to act as an auditor of a company in an EEA or EFTA state or the UK – to verify a claim for exemption under section 208A or information relating to the person or trusts activities after the exemption has been granted.

## 8 Accumulation of funds by a charity for a charitable purpose

Sections 207 and 208 TCA provide that a charity will be granted a tax exemption for various types of income, provided it is applied solely to charitable purposes. Section 208A TCA provides that foreign charities can benefit from this exemption in respect of their Irish income.

Prior to Finance Act 2024, if a charity that intended to accumulate funds over a period in excess of two years, it was required to notify Revenue of this intention and the rationale for accumulating the funds, in order to retain the charitable tax exemption. Finance Act 2024 provides that a charity will retain the charitable tax exemption so long as the income is applied to charitable purposes by the end of the fifth year after the year in which the income is received. This enables charities to focus on longer term projects that are for charitable purposes. In addition, a charity may apply to Revenue for an extension of the five-year period, if Revenue is satisfied that the charity is in the process of applying the income for charitable purposes.

## 9 Human rights bodies – section 209 TCA

Section 209 TCA provides that a body which has:

- consultative status with the United Nations or the Council of Europe, and
- has as its sole or main object the promotion of human rights under the Universal Declaration of Human Rights and/or the implementation of the

European Convention for the Protection of Human Rights and Fundamental Freedoms, and

- is precluded from making payments of income or property to its members (other than for valuable or sufficient consideration)

can apply to Revenue for an exemption from income tax under section 207 TCA.

## 10 Charitable Donation Scheme – section 848A and Schedule 26A TCA

Section 848A and Schedule 26A TCA provide for the Charitable Donation Scheme, which allows tax relief for “qualifying donations” to certain “eligible charities” and other “approved bodies”.

Under Part 3 of Schedule 26A, the scheme may be availed of by

- charities established in the State that have been granted tax exemption under section 207 TCA, and
- charities established in an EEA state, other than Ireland, an EFTA state, or the United Kingdom, that have received a notice of determination from Revenue in accordance with section 208A TCA that, if the body had income in the State of a kind referred to in section 207 or 208 TCA, it would qualify for the charitable tax exemption.

Where one or more than one eligible charity has been subject to a process of amalgamation or re-organisation, has met all relevant conditions in respect of winding-up and distribution of assets and has previously held an authorisation to operate the Charitable Donation Scheme of amalgamation/re-organisation, the authorisation may continue to apply to the successor entity.

Further information on the Charitable Donation Scheme, can be found in TDM [36-00-17](#).

## 11 List of bodies with charitable tax exemption

A list of all Irish registered charities is maintained by the Charities Regulator and can be accessed [here](#).

Revenue will publish on its website, each quarter, a list of charities which hold tax exemption at the time of publication as follows:

- [LIST A](#): Resident charities which have been granted charitable tax exemption.

Details of charities which are authorised for the Charitable Donation Scheme are published on the Revenue website at the following links:

- [LIST B](#): Resident charities authorised under the “Scheme of Tax Relief for Donations to Eligible Charities and other Approved Bodies” under the terms of section 848A TCA.
- [LIST C](#): Non-Irish resident charities authorised under the “Scheme of Tax Relief for Donations to Eligible Charities” under the terms of section 848A TCA.

## 12 Contact details for Revenue Charities and Sports Exemption Unit

Revenue’s Charities and Sports Exemptions Unit can be contacted using Revenue’s My Enquiries facility, or by telephone at 01 738 3688.