

The Rt Hon John Healey MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

09/09/2026

Dear Chancellor,

Increasing surplus food redistribution through tax incentives

We are writing to you to request that Budget 2026 includes two changes that, for a very modest cost, would result in tens of thousands of tonnes of additional surplus food being given to charities for redistribution, providing vital breathing room to the millions of people across the country struggling with the affordability of food.

In essence, businesses that produce surplus food waste have three types of cost:

- A. The costs of creating the surplus food, up to the point at which it is concluded that the food cannot be sold (i.e., when it becomes unavoidable surplus food ("USF"))
- B. The costs of further processing the unavoidable surplus food in order for it to be donated (including transport costs)
- C. The cost recovery that could be made by selling or using the unavoidable surplus food for another purpose (for example, animal feed).

The changes that we would urge the Government to introduce are:

- First, to ensure that the total cost of surplus food that is donated by anyone in the food chain is considered tax deductible, including the additional costs (Costs B above) incurred in the act of donation;
- Second, to introduce a tax credit, initially just for manufacturers, that covers the additional costs incurred in making surplus food available to charities (being Costs B and C) but excludes production costs (Costs A above).

The first proposal would ensure that the tax system does not deter the donation of food, either through the concern that the USF would not qualify as "stock" in the form that it is donated or that the additional Costs B are not wholly and exclusively for the purposes of the trade and therefore not tax deductible. All our current research suggests that businesses believe Costs A and B are not tax deductible. If the Government believes that tax relief is already available, then we would suggest that HM Revenue & Customs could issue a notice (an Extra Statutory Concession or equivalent) that would explicitly identify this view.

The second proposal (as set out in more detail in the attached paper) seeks to go beyond the removal of the tax disincentive and seeks to ensure that the Government takes advantage of the USF as an opportunity to provide food at a considerably lower cost than

that of other interventions to achieve the same result (for example, funding the purchase of equivalent food). The expenditure (through a tax credit) of the costs of B and C is likely to be significantly less than the purchase of an equivalent amount of food in the retail market; according to our research, the total cost of intervening to rescue the 212 million meals' worth of surplus in the manufacturing sector is £36 millionⁱ (= Costs B and C). As such, this represents a significant cost advantage to the Government, as well as the general benefit of reducing waste and supporting national food security.

This second proposal is focused on manufacturing initially since there is considerable evidence as to the sources of USF and therefore how an intervention could be designed (as illustrated by the case studies included as Annex 1 below). We would suggest that this should be a pilot and success in this pilot could then result in the extension to other parts of the food chain, especially to primary production where much of the usable food surplus lies and where farmers could benefit themselves. We believe that building this incentive into the tax system will have a significantly greater effect than delivering the same amount of funding through a grant that needs to be claimed by each party.

Further details as to the second proposal, together with the evidence available, are given in the attached policy paper. We would be pleased to discuss these proposals with you and your officials.

We are copying this letter to the Exchequer Secretary to the Treasury (given his kind letter of 10 June in which he offered discussions with Treasury officials) and to the Financial Secretary to the Treasury for information. We are also sending a copy to Dame Angela Eagle as the Secretary of State for the Department for Environment, Food and Rural Affairs as well as to Number 10 and the Prime Minister, given the National Programme to Redistribute Surplus Food within The National Endeavour to End Avoidable Food Waste.

Yours sincerely,



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The Bread and Butter Thing
on behalf of the Xcess Network



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Redistribution Partnership UK

CC: Financial Secretary to the Treasury, Exchequer Secretary to the Treasury, Secretary of State for Environment, Food and Rural Affairs, The Prime Minister. Enc. Policy paper: Tax Expenditure Credit for Donation of Unavoidable Surplus Food by Food Manufacturers.

Policy Paper: Tax Expenditure Credit for Donation of Unavoidable Surplus Food by Food Manufacturers

Executive summary

The charitable and community food redistribution sector stands ready to triple the volume of surplus food reaching those who need it most over the next ten years. This is a stated goal of the UK government following the announcement of the National Programme to Redistribute Surplus Food in May. The supply of high-quality, edible surplus exists across the supply chain and the necessary redistribution infrastructure is already in place.

Willingness is not the barrier to unlocking this food: cost is. For too long, it has been economically irrational for businesses to choose donation over disposal. The current tax system disincentivises donation, and existing public subsidies for anaerobic digestion actively pull surplus away from helping feed those in need. This has created a structural market asymmetry that penalises businesses attempting to do the right thing.

Short-term grant funding, while welcome, cannot fix a systemic economic disincentive. A targeted tax credit, calculated on the cost of recovery provides the durable financial signal required to change both corporate investment cases and day-to-day operational decisions. It is a highly efficient intervention with a bounded fiscal exposure, capable of leveraging business infrastructure to deliver extraordinary social, economic and environmental returns. It would give businesses the stability and confidence to strategically invest in surplus food redistribution.

We therefore believe that such a tax credit would be straightforward to design and administer, ultimately saving the Exchequer significant money in the longer term. By advancing this policy, the Government has the opportunity to align its fiscal framework with its waste hierarchy, efficiently delivering on cross-departmental commitments to the circular economy, public health, and community resilience.

Outline of this paper

The rest of this paper is set out as follows:

- Background and size of the opportunity
- Market failure
- Tax incentive
- Pilot for manufacturing
- Annexes: case studies

Background and size of the opportunity

The Government has the opportunity to give millions of people across the country better access to affordable food by incentivising food businesses to donate surplus food to charities. Surplus food is generated at every stage of the supply chain for a range of reasons. On farms, unpredictable weather, cosmetic grading standards and mismatches between harvest volumes and buyer orders leave significant quantities of perfectly edible

produce without a home.ⁱⁱ In manufacturing, production overruns, packaging changes and short shelf life create surplus that cannot be sold through normal channels.ⁱⁱⁱ In retail and hospitality, over-ordering, cancelled orders and fluctuating consumer demand mean food regularly goes unsold.^{iv}

Of the 470,000 tonnes of surplus food going to waste, the vast majority (360,000 tonnes) comes from farms, followed by manufacturing (75,000 tonnes), hospitality and food service (30,000 tonnes), and retail (5,000 tonnes).^v

Meanwhile, food prices have risen by 40% since November 2020^{vi}, and 12% of households in the UK are experiencing food insecurity, meaning more people rely on charities for support.^{vii}

This paper looks at the potential for incentivising food donations in manufacturing as there is more information available on the potential impact of such an incentive. It is intended to provide the basis for a pilot that could then be extended further.

Market failure

From a social perspective, it would be better if the unavoidable surplus food were provided in a suitable form to charities for distribution to the beneficiaries. This would both reduce waste and provide a source of food at a far lower cost than purchasing an equivalent amount of food from retail. This is therefore both an environmental and efficiency benefit.

However, currently there are financial benefits to directing unavoidable surplus waste to other places, resulting in a socially inefficient use of this material. This provides the reason for an active market intervention.

The main barriers to redistributing more surplus food are financial:

- At Felix, the conclusion of Defra's Tackling Food Surplus at the Farm Gate scheme led to a 39% reduction in fresh produce being redistributed (the equivalent of over 360 tonnes a month being unnecessarily wasted).
- Similarly, when courgette growers were asked to donate without financial support, they provided only a few pallets each, a significant reduction from the ten or more they routinely supplied under the funding scheme. This sensitivity to cost operates in both directions; with grazing shortages currently driving up feed prices, growers are instead diverting surplus to animal feed.
- Redistribution charities are turning away offers of hundreds of pallets of fresh produce each week, which could otherwise be redistributed to people if funding were available to cover the cost.

The constraint here is not a lack of willingness, but the underlying economics. There are three types of costs of unavoidable surplus food waste, being:

- A. The costs of creating the unavoidable surplus food, up to the point at which it is concluded that the food cannot be sold (i.e., when it becomes unavoidable surplus food ("USF"))
- B. The costs of further processing the unavoidable surplus food in order for it to be donated (including transport costs)

Preparing food for donation often requires extra labour to sort, repack or relabel products, additional packaging materials, new machinery and separate chilled transport or storage.^{viii} Since the food is given away, there is no way to recover these outlays and they therefore represent an avoidable increase in costs of unavoidable surplus food. Where margins are slim, even modest handling or transport charges tip the economic balance towards cheaper options such as animal feed, anaerobic digestion or even landfill.

- C. The cost recovery that could be made by selling or using the unavoidable surplus food for another purpose (for example, animal feed).

Surplus food can generate revenue in secondary markets. It can be sent for animal feed, converted into bio-products, and in some cases can solicit negative gate fees for AD^{ix}, with food businesses paid to send edible surplus to biogas digesters instead of people.^x Choosing donation over these routes means forgoing income. Unless donation is at least cost neutral, finance managers are incentivised to prioritise revenue-generating or cost-avoiding disposal methods.

In essence, the choice to donate food results in the business incurring Costs B and forgoing the savings of Costs C. As such there is a financial incentive of B + C encouraging businesses not to donate their unavoidable surplus food.

The impact of this can be seen by way of an example:

Consider a manufacturer with surplus food that has a production cost (up to the point at which the food is determined as surplus) of £40. The manufacturer can either send the food to waste or process it into animal feed.

Repurposing the food requires an additional £10 of processing, handling, repackaging, and transport. The cost to government of obtaining an equivalent amount of food for distribution would be £120. The animal feed that it would replace would cost the business £20.

Cost	Amount
A	40
B	10
C	20

In this example, the business would need an incentive of 30 in order to be neutral between donating the food and using it as animal feed (being the additional 10 of costs to process the food plus the forgone revenue of 20).

From the perspective of the Government, an incentive of 30 would procure food that would otherwise cost the Government 120, thereby providing a net saving for the Government (where the food is otherwise purchased) of 90, in addition to the benefits of waste reduction.

It is noted that there are also non-financial constraints on the donation of food (such as legal liability and brand) and separate work is being undertaken on this aspect. Nevertheless, in highly competitive sectors such as fresh produce or food processing, it is clear that unavoidable surplus food will not be donated without a means to overcome the sum of costs B and C.

Tax incentive

As noted above, an incentive is needed to unlock the potential benefit to society and the Government of the value inherent in the unavoidable surplus food. It is therefore recommended that the Government introduce an expenditure credit for Costs B and C, in a similar manner to the existing research and development expenditure credit. Initially this would be piloted in the manufacturing environment, and the resulting change in behaviour would be tested. This would create an opportunity to test the effectiveness of an expenditure credit as a means of promoting donation.

In considering the design of such a credit, we would note a number of considerations:

- Avoiding deadweight: as with the research and development credit, the greatest benefit would be to target the credit on additional donations, thereby removing any “deadweight” costs (i.e., providing the credit for donations that would have occurred in the absence of the credit). However, and in line with the approach taken to research and development, the administration of determining what is incremental is significant. There could be opportunities to game the system and the approach would penalise those who have already been donating despite the financial disincentive. For these reasons, we would suggest a volume-based credit.
- Preventing abuse: as the expenditure credit is to apply to Costs B but not Costs A, there will be an incentive to categorise costs as B rather than A – i.e., to determine earlier in the process that the food is unavoidable surplus food. Whilst this could be measured on a case-by-case basis against previous production, the Government might wish to cap the costs of B, such as by limiting this to a percentage of costs incurred to date (being cost A). The rate of such a cap, or indeed other ways of addressing such a risk, could be discussed in consultation.
- Calculating Cost C: since the scheme is unlikely to result in the whole market moving away from AD or animal feed, a price for Cost C should be readily available. However, the provisions could provide a limit, potentially based on an externally benchmarked published price.

In promoting the case for a tax-based incentive, we have considered other forms of incentive (e.g., grants) and concluded that a tax-based incentive would be most effective. Financial support must be (and be seen to be) a permanent fixture rather than temporary grant funding. Two schemes (in 2018–20 and 2025–26) have now demonstrated that funding increases donation volumes, and that those volumes fall when funding is withdrawn. Businesses will not commit capital to new packing lines or chilled storage based on a funding stream that may not survive the next spending review.

A permanent credit simultaneously alters the investment case at the corporate level and the disposal calculation at the operational level. This is due to the perceived longevity of tax incentives, the fact that they are available to all, and the fact that this avoids requiring businesses to make extensive grant claims either before or after the event. Whilst this will inevitably add an extra level of complexity to the tax system for the affected businesses, this is likely to be significantly less complex than other forms and to derive a benefit overall.

The UK is an outlier in the G20 in not incentivising the donation of surplus food through its tax system. We know that similar approaches have delivered results elsewhere: France redistributes twice as much of its excess food through charities as the UK does, and the United States redistributes over four times as much. The Harvard Law School Food Law and Policy Clinic and the Global FoodBanking Network, through their collaboration on the Global Food Donation Policy Atlas, track policy best practice around the world in this space, and have recommended that the UK incentivise surplus food redistribution through tax.^{xi}

Pilot for manufacturing

We have proposed starting with manufacturing because the evidence is sufficiently detailed to design and assess an effective intervention. Newton's recent 'Waste Equation' report identifies surplus volumes by decision point within manufacturing, providing a level of detail that is not yet available for other parts of the supply chain.^{xii}

There are greater opportunities for food recovery than currently are taken advantage of. Most supply-chain surplus arises at farm level, with further volumes generated in hospitality, food service and other sectors. More work is therefore being undertaken to understand the relevant decision points, decision makers and costs in these areas so that the intervention can be extended appropriately.

The rollout of the new expenditure credit for manufacturing will provide experience that can help in the design of these other areas.

In developing a pilot for manufacturing, we would be happy to work with the Government to ensure that the outcomes are evaluable and share the findings of existing work. This would include identifying:

- which manufacturers are eligible;
- what qualifies as edible unavoidable surplus;
- which recipients qualify;
- the pilot duration;
- the proposed cap;
- who verifies tonnage and eligible expenditure; and
- developing the current baseline and, against this, identifying the:
 - additional tonnes donated against an evidenced baseline;
 - cost per additional tonne and meal;
 - number and type of participating manufacturers;
 - proportion of eligible claims rejected or adjusted;
 - effect on existing donations;
 - effect on animal-feed and AD markets; and
 - quality, nutritional suitability and destination of redistributed food.

The pilot could include a sunset date, independent evaluation and clear criteria for extension to farms, hospitality and food service.

Annexes

Annex 1 – case studies

Two case studies were examined to test where edible food is currently being directed away from conventional supply chains due to aesthetic imperfections: breaded chicken and sausage rolls.

At both sites, edible food is wasted as a result of failing visual quality checks:

- Breaded and baked chicken pieces are rejected due to uneven breadcrumb coating.
- Sausage rolls are rejected due to incorrect colour, overbaking or uneven pastry coverage.

On both sites, products are collected in large Dolavs (waste bins), before being weighed, recorded and sent on to waste streams (animal feed and anaerobic digestion).

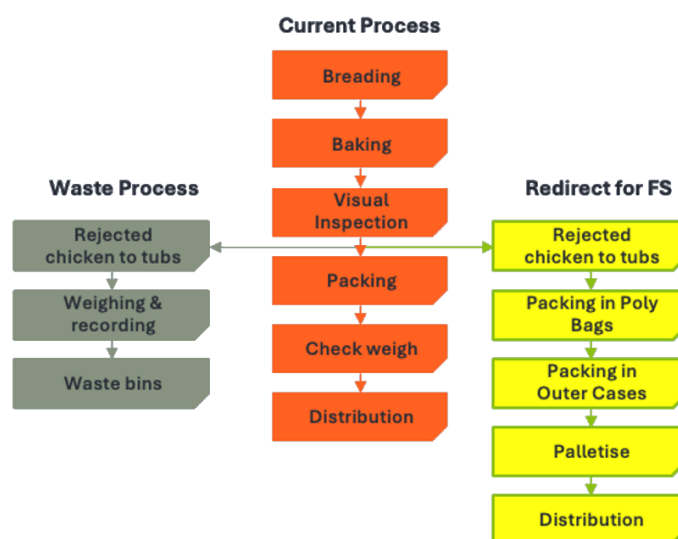
- Breaded and baked chicken

In this example, the costs were:

Cost	£/kg
B (labour and packaging)	£0.14
C (AD and animal feed)	£0.40
B+C	£0.54
Price to government of equivalent food	£12.01
Savings of incentive compared to purchase	95.5%

Rather than being sent to AD or for animal feed, the out-of-specification is chicken re-run through the packing line into plastic boxes. Due to the chicken spanning a range of SKUs (stock-keeping unit), it is not possible to get allergen labels signed off with Trading Standards (for distribution to individuals for home consumption), but the chicken can be used in catering services for the hungry.

At this single site, 12 tonnes per week of post-bake waste is currently sent outside the UK human supply chain. All of this waste is finished product with aesthetic defects, although the products remain edible and simple to recover without additional food processing. The opportunity at this site equates to around 1.5m meals per annum. Similar waste opportunities will be found across other breaded chicken factories.



- Sausage rolls

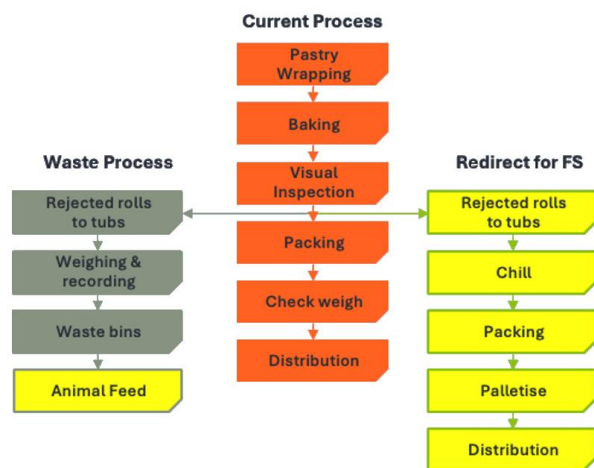
In this example, the costs were:

Cost	£/kg
B (labour and packaging)	£0.27
C (animal feed)	£0.25
B+C	£0.52
Price to government of equivalent food	£4.70
Savings of incentive compared to purchase	88.9%

All of this waste is finished product with aesthetic defects, although the products remain edible and simple to recover without additional food processing. Rather than being sent for animal feed, the sausage rolls that fall below visual specification are maintained in the chill chain (maintaining temperature) and re-run through the packing line during the night shift, where there is usually some flex in production.

This contrasts with the breaded chicken as the ratio of cost B and C is much higher.

The opportunity at a single site equates to around 143,000 meals per annum. Similar waste opportunities will be found across other sausage roll factories.



Annex 2 – About The Food Redistribution Partnership UK

The Food Redistribution Partnership UK brings together Britain's charitable and community surplus food redistribution sector, campaigning for policy change that results in more surplus food reaching people who need it.

Together, we supply food to tens of thousands of charities, community organisations and millions of people. We reduce food waste by redistributing good food to good causes, and in doing so improving environmental outcomes, building more resilient communities, and supporting people with challenges they may face in their lives.

Our members are working collaboratively with Number 10 and Defra on the National Endeavour to End Avoidable Food Waste, and under it, the National Programme to Redistribute Surplus Food. This groundbreaking effort was announced by the Government in May.

In addition, members are collaborating on the Coronation Food Project, inspired by the leadership of His Majesty the King. We have signed a covenant outlining our commitment to work together, with the explicit goal of tripling surplus food redistribution over the next decade.

The Food Redistribution Partnership UK consists of The Bread and Butter Thing, City Harvest, Community Shop, Feeding Britain, Felix (formerly FareShare & The Felix Project), His Church, Neighbourly and The Xcess Network, who between them constitute the UK's charitable and community surplus food redistribution sector. The Food Redistribution Partnership UK is supported by the IGD.

Annex 3 – References

- ⁱ Newton, The Felix Project and FareShare, and Alliance Food Sourcing (2026), The Waste Equation: How the UK food and drink industry could provide a billion meals to people in need. Available at: <https://online.flippingbook.com/view/815745439/>
- ⁱⁱ WWF-UK (2022), Hidden Waste: The Scale and Impact of Food Waste in Primary Production. WWF-UK. Available at: <https://www.wwf.org.uk/sites/default/files/2023-05/Hidden-Waste-%20Report-2022-WWF-UK.pdf>
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- ^v WRAP (2026), Annual survey of redistribution organisations in the UK: 2024 update. Available at: <https://www.wrap.ngo/resources/report/annual-survey-redistribution-organisations-uk-2024-update>
- ^{vi} Harari, D. (2026), The impact of food inflation on the cost of living. House of Commons Library, Debate Pack CDP-2026-0004. Published 14 January 2026. Available at: <https://commonslibrary.parliament.uk/research-briefings/cdp-2026-0004/>
- ^{vii} The Food Foundation (2026), 'Food insecurity affecting one in eight households in the UK'. Press release, published 22 July 2026. Available at: <https://foodfoundation.org.uk/press-release/food-insecurity-affecting-one-eight-households-uk>
- ^{viii} WRAP (2021), Food Surplus Redistribution Evidence Project Summary Report. Available at: <https://www.wrap.ngo/sites/default/files/2021-12/WRAP-Food-surplus-redistribution-evidence-project-summary-report.pdf>
- ^{ix} WRAP (2024), UK Gate Fees Report 2023-24. Published 31 July 2024. Available at: <https://www.wrap.ngo/resources/report/uk-gate-fees-report-2023-24>
- ^x Evening Standard (2023), 'The great food waste scandal: 2.9 million tonnes of produce being dumped in landfill' by David Cohen. Published 7 September 2023. Available at: <https://www.standard.co.uk/news/uk/food-waste-scandal-food-7bn-meals-dumped-landfill-b1105486.html>
- ^{xi} Harvard Law School Food Law & Policy Clinic & Global FoodBanking Network (2024), Policy Issue: Government Grants & Incentives. Available at: <https://atlas.foodbanking.org/issue/government-grants-incentives/>
- ^{xii} Newton, The Felix Project and FareShare, and Alliance Food Sourcing (2026), The Waste Equation: How the UK food and drink industry could provide a billion meals to people in need. Available at: <https://online.flippingbook.com/view/815745439/>