
Changes to legislation: There are currently no known outstanding effects for the Finance Act 2015, SCHEDULE 5. (See end of Document for details)

SCHEDULES

SCHEDULE 5

Section 35

RELIEF FOR CONTRIBUTIONS TO FLOOD AND COASTAL EROSION RISK MANAGEMENT PROJECTS

Income tax: trade profits

- 1 In Chapter 5 of Part 2 of ITTOIA 2005 (trade profits: rules allowing deductions), after section 86 insert—

“Contributions to flood and coastal erosion risk management projects

86A Contributions to flood and coastal erosion risk management projects

- (1) This section applies if—
- (a) a person carrying on a trade (“the contributor”) incurs expenses in making a qualifying contribution to a qualifying flood or coastal erosion risk management project, and
 - (b) a deduction would not otherwise be allowable for the expenses in calculating the profits of the trade.
- (2) In determining whether the condition in subsection (1)(b) is satisfied, a deduction giving effect to a capital allowance is to be disregarded.
- (3) In calculating the profits of the trade, a deduction is allowed under this section for the expenses.
- (4) But if, in connection with the making of the contribution, the contributor or a connected person—
- (a) receives a disqualifying benefit, or
 - (b) is entitled to receive such a benefit,
- no deduction is allowed.
- (5) For the purposes of subsection (4) it does not matter whether a person receives, or is entitled to receive, the benefit—
- (a) from the carrying out of the project, or
 - (b) from any person.
- (6) Subsection (7) applies if—
- (a) a deduction has been made under this section in relation to the contribution, and
 - (b) the contributor or a connected person receives—
 - (i) a refund of any part of the contribution, if the contribution is a sum of money, or

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- (ii) compensation for any part of the contribution, if the contribution is the provision of services,
in money or money's worth.
- (7) The amount of, or an amount equal to the value of, the refund or compensation (so far as not otherwise brought into account in calculating the profits of the trade or treated as a post-cessation receipt)—
 - (a) is brought into account in calculating the profits of the trade, as a receipt arising on the date on which the refund or compensation is received, or
 - (b) if the contributor has permanently ceased to carry on the trade before that date, is treated as a post-cessation receipt (see Chapter 18).
- (8) In this section “disqualifying benefit” means a benefit consisting of money or other property, but it does not include—
 - (a) a refund of the contribution, if the contribution is a sum of money;
 - (b) compensation for the contribution, if the contribution is the provision of services;
 - (c) a structure that—
 - (i) is or is to be used for the purposes of flood or coastal erosion risk management, and
 - (ii) is put in place in carrying out the project;
 - (d) an addition to a structure where—
 - (i) the structure is or is to be used for the purposes of flood or coastal erosion risk management, and
 - (ii) the addition is made in carrying out the project;
 - (e) land, plant or machinery that is or is to be used, in the realization of the project, for the purposes of flood or coastal erosion risk management;
 - (f) a right over land that is or is to be used, in the realization of the project, for the purposes of flood or coastal erosion risk management.
- (9) In subsection (8) “structure” includes road, path, pipe, earthwork, plant and machinery.

86B Interpretation of section 86A

- (1) This section applies for the purposes of section 86A.
- (2) A flood or coastal erosion risk management project is a qualifying project if—
 - (a) an English risk management authority has applied to the Environment Agency for a grant under section 16 of the Flood and Water Management Act 2010 in order to fund the project, or
 - (b) the Environment Agency has determined that it will carry out the project,
and the Environment Agency has allocated funding by way of grant-in-aid to the project.

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- (3) A contribution to a flood or coastal erosion risk management project is a qualifying contribution if the contribution is made—
- (a) for the purposes of the project, and
 - (b) under an agreement between—
 - (i) the person making the contribution, and
 - (ii) the applicant authority or (as the case may be) the Environment Agency,or between those two persons and other persons.
- (4) References to a flood risk management project or a coastal erosion risk management project are to be interpreted in accordance with sections 1 to 3 of the Flood and Water Management Act 2010.
- (5) In section 86A and this section—
- “contribution”, in relation to a period of account, means—
- (a) a sum of money paid in that period of account, or
 - (b) any services provided in that period of account;
- “English risk management authority” has the meaning given by section 6(14) of the Flood and Water Management Act 2010.”

Income tax: profits of a property business

- 2 In section 272 of ITTOIA 2005 (application of trading income rules), in the table in subsection (2), after the entry for sections 82 to 86 insert—

“sections 86A and 86B	contributions to flood and coastal erosion risk management projects”
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Corporation tax: trading income and trade profits

- 3 In Chapter 5 of Part 3 of CTA 2009 (trading income and trade profits: rules allowing deductions), after section 86 insert—

“Contributions to flood and coastal erosion risk management projects

86A Contributions to flood and coastal erosion risk management projects

- (1) This section applies if—
- (a) a company carrying on a trade (“the contributor”) incurs expenses in making a qualifying contribution to a qualifying flood or coastal erosion risk management project, and
 - (b) a deduction would not otherwise be allowable for the expenses in calculating the profits of the trade.
- (2) In determining whether the condition in subsection (1)(b) is satisfied, a deduction giving effect to a capital allowance is to be disregarded.
- (3) In calculating the profits of the trade, a deduction is allowed under this section for the expenses.

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- (4) But if, in connection with the making of the contribution, the contributor or a connected person—
- (a) receives a disqualifying benefit, or
 - (b) is entitled to receive such a benefit,
- no deduction is allowed.
- (5) For the purposes of subsection (4) it does not matter whether a person receives, or is entitled to receive, the benefit—
- (a) from the carrying out of the project, or
 - (b) from any person.
- (6) Subsection (7) applies if—
- (a) a deduction has been made under this section in relation to the contribution, and
 - (b) the contributor or a connected person receives—
 - (i) a refund of any part of the contribution, if the contribution is a sum of money, or
 - (ii) compensation for any part of the contribution, if the contribution is the provision of services,
in money or money's worth.
- (7) The amount of, or an amount equal to the value of, the refund or compensation (so far as not otherwise brought into account in calculating the profits of the trade or treated as a post-cessation receipt)—
- (a) is brought into account in calculating the profits of the trade, as a receipt arising in the accounting period in which the refund or compensation is received, or
 - (b) if the contributor has permanently ceased to carry on the trade before the refund or compensation is received, is treated as a post-cessation receipt (see Chapter 15).
- (8) In this section “disqualifying benefit” means a benefit consisting of money or other property, but it does not include—
- (a) a refund of the contribution, if the contribution is a sum of money;
 - (b) compensation for the contribution, if the contribution is the provision of services;
 - (c) a structure that—
 - (i) is or is to be used for the purposes of flood or coastal erosion risk management, and
 - (ii) is put in place in carrying out the project;
 - (d) an addition to a structure where—
 - (i) the structure is or is to be used for the purposes of flood or coastal erosion risk management, and
 - (ii) the addition is made in carrying out the project;
 - (e) land, plant or machinery that is or is to be used, in the realization of the project, for the purposes of flood or coastal erosion risk management;
 - (f) a right over land that is or is to be used, in the realization of the project, for the purposes of flood or coastal erosion risk management.

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- (9) In subsection (8) “structure” includes road, path, pipe, earthwork, plant and machinery.

86B Interpretation of section 86A

- (1) This section applies for the purposes of section 86A.
- (2) A flood or coastal erosion risk management project is a qualifying project if—
- (a) an English risk management authority has applied to the Environment Agency for a grant under section 16 of the Flood and Water Management Act 2010 in order to fund the project, or
 - (b) the Environment Agency has determined that it will carry out the project,
- and the Environment Agency has allocated funding by way of grant-in-aid to the project.
- (3) A contribution to a flood or coastal erosion risk management project is a qualifying contribution if the contribution is made—
- (a) for the purposes of the project, and
 - (b) under an agreement between—
 - (i) the company making the contribution, and
 - (ii) the applicant authority or (as the case may be) the Environment Agency,or between those two bodies and other persons.
- (4) References to a flood risk management project or a coastal erosion risk management project are to be interpreted in accordance with sections 1 to 3 of the Flood and Water Management Act 2010.
- (5) In section 86A and this section—
- “contribution”, in relation to an accounting period, means—
 - (a) a sum of money paid in that accounting period, or
 - (b) any services provided in that accounting period;
 - “English risk management authority” has the meaning given by section 6(14) of the Flood and Water Management Act 2010.”

Corporation tax: profits of a property business

- 4 In section 210 of CTA 2009 (application of trading income rules), in the table in subsection (2), after the entry for sections 82 to 86 insert—

“sections 86A and 86B	contributions to flood and coastal erosion risk management projects”
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Corporation tax: investment business

- 5 In Chapter 2 of Part 16 of CTA 2009 (investment business: management expenses), in section 1221 (amounts treated as expenses of management), in subsection (3), after paragraph (i) insert—

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“(ia) section 1244A (contributions to flood and coastal erosion risk management projects),”.

- 6 In Chapter 3 of Part 16 of CTA 2009 (investment business: amounts treated as expenses of management), after section 1244 insert—

“Contributions to flood and coastal erosion risk management projects

1244A Contributions to flood and coastal erosion risk management projects

- (1) This section applies if a company with investment business (“the contributor”) incurs expenses in making a qualifying contribution to a qualifying flood or coastal erosion risk management project.
- (2) The expenses are treated for the purposes of Chapter 2 as expenses of management.
- (3) But if, in connection with the making of the contribution, the contributor or a connected person—
 - (a) receives a disqualifying benefit, or
 - (b) is entitled to receive such a benefit,
no deduction is allowed under section 1219.
- (4) For the purposes of subsection (3) it does not matter whether a person receives, or is entitled to receive, the benefit—
 - (a) from the carrying out of the project, or
 - (b) from any person.
- (5) In this section “disqualifying benefit” means a benefit consisting of money or other property, but it does not include—
 - (a) a refund of the contribution, if the contribution is a sum of money;
 - (b) compensation for the contribution, if the contribution is the provision of services;
 - (c) a structure that—
 - (i) is or is to be used for the purposes of flood or coastal erosion risk management, and
 - (ii) is put in place in carrying out the project;
 - (d) an addition to a structure where—
 - (i) the structure is or is to be used for the purposes of flood or coastal erosion risk management, and
 - (ii) the addition is made in carrying out the project;
 - (e) land, plant or machinery that is or is to be used, in the realization of the project, for the purposes of flood or coastal erosion risk management;
 - (f) a right over land that is or is to be used, in the realization of the project, for the purposes of flood or coastal erosion risk management.
- (6) In subsection (5) “structure” includes road, path, pipe, earthwork, plant and machinery.

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(7) Section 86B applies for the purposes of this section as it applies for the purposes of section 86A.”

7 In Chapter 5 of Part 16 of CTA 2009 (investment business: receipts), after section 1253 insert—

“1253A Contributions to flood and coastal erosion risk management projects: refunds etc

(1) This section applies if—

- (a) a deduction has been made under section 1219 by virtue of section 1244A (contributions to flood and coastal erosion risk management projects: expenses of management), and
- (b) the contributor or a connected person receives—
 - (i) a refund of any part of the contribution, if the contribution is a sum of money, or
 - (ii) compensation for any part of the contribution, if the contribution is the provision of services,in money or money's worth.

(2) The contributor is to be treated as receiving, when the refund or compensation is received, an amount—

- (a) which is equal to so much of the refund or compensation, or so much of the value of the refund or compensation, as is not otherwise taken into account for corporation tax purposes, and
- (b) to which the charge to corporation tax on income applies.”

8 In section 253 of CAA 2001 (companies with investment business), in subsection (6), after “1233” insert “ or 1244A ”.

Commencement

9 The amendments made by this Schedule have effect in relation to contributions paid or provided on or after 1 January 2015.

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