



Income tax and corporation tax: tax relief for businesses contributing to a partnership funding flood defence scheme

Who is likely to be affected?

Businesses making contributions to partnership funding schemes for Flood and Coastal Erosion Risk Management (FCERM) projects.

General description of the measure

The measure will ensure that contributions by a business of money or services to a FCERM partnership funding scheme will be deductible from the profits of the business for corporation tax or income tax purposes.

Policy objective

This measure supports the wider Government agenda to encourage private sector participation in flood and coastal defence projects.

Background to the measure

This measure was announced at Autumn Statement 2014.

Detailed proposal

Operative date

This measure will have effect for a contribution made on or after 1 January 2015.

Current law

For income tax the relevant legislation is contained within the Income Tax, Trading and Other Income Act 2005 (ITTOIA). Part 2 of ITTOIA deals with income from trades, professions or vocations, and Chapter 3 sets out the basic rules for calculation of profits, with Chapter 4 providing the rules for restricting deductions. Part 3 of ITTOIA deals with property income, and Chapter 3 sets out the rules for calculation of property business profits.

For corporation tax the relevant legislation is contained within the Corporation Tax Act (CTA) 2009. Part 3 of CTA 2009 deals with trading income, and Chapter 3 sets out the basic rules for calculation of profits, while Chapter 4 provides the rules for restricting deductions. Part 4 of CTA 2009 deals with property income, and Chapter 3 sets out the rules for calculation of property business profits. Part 16 of CTA 2009 provides the rules for deductions allowable as management expenses in the case of companies with investment business.

Proposed revisions

This measure introduces new provisions within Chapter 5 of Part 2 of ITTOIA, to allow a specific deduction for contributions to partnership funding schemes for flood defence projects. It also amends section 272 of Part 3 of ITTOIA to secure that the same treatment applies for property businesses.

The measure introduces new provisions within Chapter 5 of Part 3 of CTA 2009 to allow a specific deduction for contributions to partnership funding schemes for flood defence projects. It also amends section 210 of Part 4 of CTA 2009, and introduces new provisions within Part 16 of CTA 2009, to secure that the same treatment applies for companies with property business or investment business respectively.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
	negligible	-5	-5	-5	-5	-5
	These figures are set out in Table 2.1 of Autumn Statement 2014. They have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2014.					
Economic impact	This measure is expected to support increased investment in flood resilience projects. No significant wider economic impacts are expected.					
Impact on individuals, households and families	<p>Most contributions to partnership funding schemes to date have been made by large businesses and this trend is expected to continue.</p> <p>To the extent that the measure encourages investment in flood defence projects, there will be a positive impact on the individuals, households and families who benefit from these.</p> <p>This measure is not expected to impact on family formation, stability or breakdown.</p>					
Equalities impacts	No specific equalities impacts have been identified.					
Impact on business including civil society organisations	<p>There will be a positive impact on those businesses making contributions who could not previously have obtained tax relief but will now to be able to do so by virtue of this measure.</p> <p>Relief will be claimed through the tax computations and returns, and businesses will have calculated the relevant details as part of making their contribution to a scheme. As a result, there will be minimal additional administrative burden for those businesses claiming relief.</p> <p>To the extent that the measure supports funding of flood defence projects, businesses and other organisations which carry out these works may experience increased demand for their goods and services.</p> <p>This measure is expected to have a negligible impact on other businesses and civil society organisations.</p>					
Operational impact (£m) (HMRC or other)	It is not anticipated that implementing this change will result in any significant additional costs or savings for HM Revenue and Customs.					
Other impacts	<p><u>Environmental impact</u>: to the extent that the measure supports funding of flood defence projects, there will be a positive impact on the environment.</p> <p>Other impacts have been considered and none have been identified.</p>					

Monitoring and evaluation

The Department for the Environment, Food and Rural Affairs (DEFRA) and the Environment Agency (EA), will monitor the level of private sector contributions to partnership funding schemes over the lifetime of the funding commitment (2015-16 to 2020-21).

Further advice

If you have any questions about this change, please contact James Ewington on 03000 553788 (email: james.ewington@hmrc.gsi.gov.uk).