

## SCHEDULES

### SCHEDULE 5

#### RELIEF FOR CONTRIBUTIONS TO FLOOD AND COASTAL EROSION RISK MANAGEMENT PROJECTS

*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.
- (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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*Status: This is the original version (as it was originally enacted).*

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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 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.
- (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.”