Possible scope for expansion of flood defence relief

Personal tax

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ATT comments on the possible scope for expansion

The March 2015 issue of Tax Adviser briefly explained how tax relief works for contributions to flood and coastal erosion risk management projects (Draft FB 2015: a welcome new relief but with scope for improvement). The provisions, which apply for both income tax and corporation tax purposes, were enacted as section 35 and Schedule 5 of the pre-election Finance Act 2015. In December 2015, after the first of what became the series of recent storms, the ATT issued a press release highlighting the part that an expanded version of the relief could play in preventing future flood misery.

As enacted for income tax purposes, tax relief is equally available for a contribution to a qualifying flood defence project made by:

- A self-employed farmer whose land the project might be expected to protect;
- A self-employed person whose business was located 50 miles away but whose private residence was within the area that the project might be expected to protect;
- A self-employed person who lived and worked 200 miles away who made the contribution solely for philanthropic purposes.

This follows from the fact that there is no wholly and exclusively test. Subject to the anti-avoidance provisions, the contributor simply needs to have income from a trade or property income business. Conversely, no relief is available to a director of a farming company, an employed person who commutes to work from their flood-prone home, or a philanthropist whose income is from investments.

The ATT press release, which includes a link to ATT's submission to HMRC in January 2015, suggests that consideration could be given to broadening access to the relief through gift aid or payroll giving. The release can be found on the ATT website.