These notes refer to the Corporation Tax Act 2009 (c.4) which received Royal Assent on 26 March 2009

CORPORATION TAX ACT 2009

EXPLANATORY NOTES

COMMENTARY ON SECTIONS

Part 3: Trading income

Overview

Chapter 5: Trade profits: rules allowing deductions

Overview

Section 82: Contributions to local enterprise organisations or urban regeneration companies

323. This is the first of five sections that allow deductions for contributions to local enterprise agencies, training and enterprise councils, local enterprise companies in Scotland, business links and urban regeneration companies. The sections are based on sections 79, 79A and 79B of ICTA. The corresponding rules for income tax are in sections 82 to 86 of ITTOIA.

324. Contributions to these bodies are generally donations and are likely to be made for benevolent reasons, rather than wholly and exclusively for the purposes of the trade (see section 54 of this Act).

325. *Subsection (3)* is an anti-avoidance rule. It prevents a company using the section to obtain a deduction for non-trade expenditure, such as funding the training of a member of a shareholder's family, by passing funds through one of these bodies. The source legislation disallows any deduction if there is a benefit to the company (or a connected person). This section merely restricts the deduction by the value of the benefit. See *Change 18* in Annex 1.

326. *Subsections (5)* and *(6)* set out what happens if the company (or a connected person) receives a benefit in connection with the contribution. The charge on the benefit applies if the benefit is received by a person "connected with" the company. That expression is explained in section 1316.

327. Subsection (6)(b) deals with the case where the recipient's trade has ceased before the benefit is received. It treats the benefit explicitly as a post-cessation receipt. See *Change 19* in Annex 1.

328. *Subsection (7)* makes clear the extent of the disallowance under subsection (3) or charge under subsection (6).

329. The subsection limits the "disqualifying benefit" in accordance with HMRC practice. See *Change 18* in Annex 1.