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**REPORT TO: LANDFILL TAX SUB COMMITTEE ON 18 JUNE 2003**

**SUBJECT: UPDATE ON LANDFILL TAX CREDIT SCHEME**

**BY: DIRECTOR OF ENVIRONMENTAL SERVICES**

**1. Reason for Report**

1.1 To advise Members of the recent changes to the Landfill Tax Credit Scheme and to seek approval for a timetable for 2003/2004 allocations.

**2. Background**

2.1 As from 1<sup>st</sup> April 2003 the following changes have been made to the Landfill Tax Credit Scheme (LTCS):

- The total amount of credit which may be claimed in a twelve month period is now limited to 6.5% of the landfill operator's landfill tax bill for that period. The previous scheme allowed 20% to be distributed to Environmental Bodies.
- The Landfill Tax Credit year must now run from April to March. The previous Landfill Tax year was from October to September.
- The old categories C and CC have been removed from the list of eligible projects for LTCS funding. These categories related to sustainable waste management projects.

2.2 The Government decided to reform the LTCS as there was no evidence that the scheme was delivering a step change towards more sustainable waste management. The new LTCS will allow approximately one third of the national available landfill tax credits (£47m) to continue to be available for local community environmental projects and the remainder (£100m) will be allocated to public spending to encourage sustainable waste management.

2.3 The Government has not as yet announced how the sustainable waste management monies will be distributed, although the Scottish Executive will administer the scheme in Scotland. However, until the new procedures for the distribution of these monies is in place, an interim scheme has been created, administered by ENTRUST, which will allow environmental bodies involved in waste management projects to apply for funding direct.

2.4 For Members information, a summary of the new LTCS is shown in **Appendix 1**.

- 2.5 The Council's Finance Section has contacted the Inland Revenue who have confirmed that we can distribute LTC's to all of the old categories of projects, including waste management projects, from the LTC's accumulated from October 2002 to March 2003 but these must be claimed by the end of September 2003.

3. **The Proposals**

- 3.1 Members are asked to note the changes to the LTCS and to consider a timetable for inviting and approving applications for this year and for future years to accommodate the changes.

4. **Financial Implications**

- 4.1 The LTC's available for distribution from October 2002 to March 2003 is £115,653.

5. **Staffing Implications**

- 5.1 None.

6. **Sustainable Development Implications**

- 6.1 These will be considered during the decision making process prior to awarding grants.

7. **Corporate Plan**

- 7.1 These will be considered during the decision making process prior to awarding grants.

8. **Consultations**

- 8.1 Louise Davidson, Senior Payments Officer in Finance was consulted to seek further information from the Inland Revenue and to provide the financial information contained in this report.

9. **Recommendations**

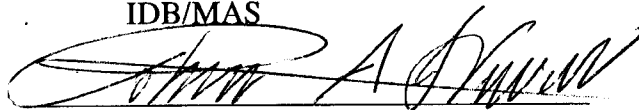
- 9.1 **Members are asked to note the changes to the LTCS and to consider a timetable for inviting and approving applications for this year and for future years to accommodate the changes.**

Author of Report: Ian D Bruce, Environmental Protection Manager - 7040

Background Papers: None

Ref: IDB/MAS

Signature:



Designation: Director of Environmental Services

Name: Robert Stewart



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The Landfill Tax Credit Scheme (LTCS) encourages and enables **landfill operators (LOs)** to support a wide range of environmental projects by giving them a 90 per cent tax credit against their donations to **Environmental Bodies (EBs)**. These donations are capped at 6.5 per cent of the LO's landfill tax liability.

## Eligibility

A very wide range of organisations may register as EBs and receive LTCS money. In addition, many organisations benefit from LTCS funding without enrolling as EBs, choosing instead to work with a **Distributive Environmental Body (DEB)**. However, whichever route to funding suits your organisation, you must comply with the following:

- Non-profit distributing. You don't have to be a charity, but any surplus you make must be used to further your organisation's objects. Surplus must not be used to pay dividends or other rewards.
- Your organisation must not be controlled - directly or indirectly - by a local authority or a landfill operator registered for landfill tax. Guidance on this issue is available from **ENTRUST**.

## The Distributors of Funds

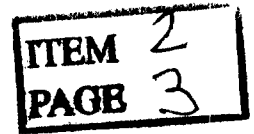
Donations can only support projects that fall within **LTCS objects**. All LO donations must be made to EBs registered with **ENTRUST**, but within these restrictions the allocation of landfill tax credits remains at the sole discretion of the donor LO.

**ENTRUST** does not allocate grants or have the power to compel an LO to fund a particular project. Neither does **ENTRUST** have the power to prevent the funding of a compliant project (i.e. a project that falls within the objects of the LTCS). Consequently, **ENTRUST** takes no view on the relative value or merits of particular projects.

Registering as an EB is a quick and simple process. However, there are other routes to funding through the LTCS and you may wish to investigate these first.

## Routes to Funding: D-EBs & LOs

One route is to approach a **Distributive Environmental Body (D-EB)**. These organisations help others to access landfill tax credits and not all require those they help to become EBs themselves. Some act as agents for groups with compliant projects.



It's usually best to approach D-EBs and then LOs. If you do intend to approach an LO, you need not register with ENTRUST, beforehand; you may wish to seek an expression of interest first.

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### **Contributing Third Parties (CTPs)**

**Contributing Third Parties (CTPs)** are playing an increasing role in the LTCS. These organisations help unlock otherwise unused landfill tax credits, by refunding the cost of participation to LOs. Projects with committed CTPs are more likely to receive funding.

### **Registering with ENTRUST**

Finally, if you do wish to register as an EB you should visit the ENTRUST web site at [www.entrust.org.uk](http://www.entrust.org.uk) where you will find an application form. There is a registration fee of £100. In addition to the registration fee you will be required to submit a copy of your organisation's constitution with clauses that comply with LTCS objects highlighted and, unless you are a new organisation, a copy of your annual report and accounts.

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Landfill tax credits must be spent in compliance with the landfill tax regulations, which set the following objects for the LTCS:

- a. projects that involve reclaiming land, the use of which has been prevented by some previous activity
- b. projects that reduce or prevent pollution on land
- d. projects that provide or maintain public amenities or parks within 10 miles of a landfill site
- e. projects to restore or repair buildings for religious worship, or of architectural or historical interest within 10 miles of a landfill site
- f. projects fund the cost of administrative, financial or other similar services, supplied to other enrolled environmental bodies (EBs)

\* Objects c and cc of the LTCS were deleted on 1 April 2003

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