

Contributing Third Parties – Additional Guidance

1. Introduction

This guidance document helps to clarify what the [Landfill Tax Regulations 1996](#) (Regulations) say in relation to Contributing Third Parties (CTPs):

(1) In this Part—

“contributing third party” means a person who has made or agreed to make (whether or not under a legally binding agreement) a payment to a registered person to secure the making by him of a qualifying contribution or to reimburse him, in whole or in part, for any such contribution he has made;

As landfill operators (LOs) receive a 90% tax credit for each contribution made, this provision in the Regulations allows the LO to request a third party to cover some or all of the shortfall.

2. General Principles

The guidance to LOs from HMRC, within [LFT1](#) states that:

“There is nothing to prevent a third party from helping to fund your contribution, so long as that person or organisation is not itself the enrolled EB you propose to donate to. You must make sure that any third party contributors do not directly benefit from the projects which they are helping to fund.”

Therefore, taking the Regulations and associated guidance from LFT1, in general terms, a CTP must:

- Be a person or organisation separate to an Environmental Body (EB) spending the LCF monies on the project, whether the EB directly received the contribution, or received the funds through a transfer from another EB.
- Be separate to the LO
- Have the intention of making the payment only for the purpose of releasing the contribution to the EB
- Make the payment directly to the LO – (see section 4)
- Not receive a unique benefit from any of the EB’s expenditure of LCF monies.

In administering a CTP payment an EB should assess what a potential CTP may have to gain by making the payment. This may help to determine whether the proposed CTP would derive a unique benefit. For further advice surrounding unique benefit, please refer to our [EB Guidance Manual](#).

The Regulations also require EBs to maintain records of the name and address of each CTP against the qualifying contribution, or transfer, that the CTP payment corresponds to.

3. Project Applicants as CTPs

An organisation which applies to an EB for funding for their project is termed a project applicant. **A project applicant who receives funds from an EB and is not itself an EB can act as a CTP because it is a third party, i.e. not the LO or the EB.** However, there is still the benefit rule to consider as set out above.

There are some examples and a decision tree in the appendices.

4. EBs Acting as Intermediaries

CTP payments are required by the Regulations to be made by an independent third party. However, it is often not practical or simple for all those contributors to pay the LO directly. A charitable trust may wish to act as the CTP but are precluded from making a direct payment to a LO, or the CTP may come from a fundraising campaign with many individuals. Therefore, an EB may wish to act as an intermediary for passing CTP payments on to the LO. **It is important that the EB understands the CTP payment is not to be treated as the EB's funds and that in being an intermediary the EB is handling another organisation's money.** In these circumstances the original donors would be regarded as the CTP, not the EB. The CTP donation is not the EBs funds.

If an EB acts in the capacity of an intermediary, the EB must be able to provide an audit trail to demonstrate the payment originated from a third party and that it was given with the intention of it being used as a CTP payment. An example of a sufficient audit trail would be an EB using a separate cost code for the donation or holding the CTP payment in a separate bank account.

5. Record Keeping

EBs are required to keep and maintain a clear audit trail to show a link between expenditure and the contributing LO and any CTP payments relating to the qualifying contribution or transfer. The Regulations require EBs to keep clear records to demonstrate the name and address of the CTP in relation to the contribution or transfer. We will examine these records during compliance reviews. The EB spending LCF monies and reporting this project expenditure would be responsible for keeping the CTP records:

33A(1) An approved body shall –

(d) make and retain records of the following:

(ii) the name and address of any contributing third party in relation to a qualifying contribution received by the body;

(iv) in the case of a transfer of the whole or part of any qualifying contribution or income derived therefrom to or from the body, the date of the transfer, the amount transferred, the name and enrolment number of the body from or, as the case may require, to which it was transferred, the name, address and registration number of the person who made the qualifying contribution and the name and address if any contributing third party in relation to the contribution.

If you have any questions regarding this guidance document, or have concerns about your current processes which you would like to discuss, please contact our Helpline on 01926 488 300 or by email at helpline@entrust.org.uk

Appendices

A – Examples of CTPs

B – CTP Decision Tree

Entrust

Updated April 2026

Appendix A – Examples of CTPs

Example 1 – An organisation that isn't an EB carrying out a project registered by the funding EB

An organisation wishing to carry out a project using LCF monies has made a successful grant bid to a funding Environmental Body. The funding EB will register the project on the organisation's behalf and thus the body will not need to register as an EB. Note that some funding EBs require project applicants to enrol as an EB whilst others do not. The LO providing the contribution requires a CTP payment. As the organisation is not registered as an EB it can act as the CTP using its own monies to make the payment providing that there are no potential concerns regarding unique benefit.

Example 2 – An EB carrying out a project to be registered by another EB

An organisation registered as an EB wishing to carry out a project using LCF monies has made a successful grant bid to a funding EB. The funding EB will register the project on the EB's behalf and the LO requires the EB to provide a CTP payment. As the EB will be delivering the project they cannot act as the CTP and must find an alternative. A CTP can be any person, organisation or group that is able to make the payment using their own funds and is separate to the EB and LO. For example, a local resident, business, council or grant making body.

Example 3 – An EB acting as a CTP for a project it is not involved in

An organisation registered as an EB wishing to carry out a project using LCF monies has made a successful grant bid to a LO. The LO requires the EB to provide a CTP payment. As the EB will be delivering the project they cannot act as the CTP. The EB applies to another organisation to make the CTP payment direct to the LO. This organisation is also registered as an EB however as they will not be involved in project delivery nor will they receive any unique benefit from any expenditure of the other EB they can act as the CTP. This can affect future transactions, particularly if the CTP is also a potential supplier of goods and services to that EB as the CTP will not be able to make a profit from any future supply. If there is the potential that the CTP could act as supplier to the EB then it is advised to seek an alternative CTP. There are exceptional circumstances where a CTP can act as a supplier to the EB but these must be discussed with Entrust first and are best avoided if alternative third parties are available.

Example 4 – An organisation or person associated with an EB

(a) An organisation registered as an EB wishing to carry out a project using LCF monies has made a successful grant bid to a funding EB. The EB is required to provide a CTP payment. As the EB will be delivering the project they cannot act as the CTP. A relative of one of organisation's management committee would be happy to make the CTP payment using their own money. As the individual will make the CTP payment

direct to the LO and receive no unique benefit because of their contribution the CTP payment is eligible.

(b) A relative of one of organisation's trustees runs a landscaping business which would be happy to make the CTP payment. As a result of their contribution the CTP will be awarded a contract to carry out works necessary for project completion at a price meaning they will make a profit. The CTP payment is not eligible as the CTP has derived unique benefit from their contribution. There are exceptional circumstances where a CTP can act as a supplier to the EB but these must be discussed with Entrust first and are best avoided if alternative third parties are available.

(c) A trustee of the EB is happy to make the CTP payment from personal funds. As the trustee is using their own money, pays the LO direct and will not gain a unique benefit from providing the money this is acceptable. The trustee must not gain any unique benefit from any expenditure of the EB, not just that relating to the LCF project.

Example 5 – A local party not involved with the EB

An organisation registered as an EB wishing to carry out a project using LCF monies has made a successful grant bid to a funding EB. The LO will require the EB to provide a CTP payment. As the EB will be delivering the project they cannot act as the CTP. Three local people plus one business not involved with the EB or project delivery offer to make the CTP payment. As the parties will use their own monies, not receive any benefit following their contribution and will make the payments direct to the LO, the CTP payment is compliant.

Example 6 – An EB fundraising for the CTP

An organisation registered as an EB wishing to carry out a project using LCF monies has made a successful grant bid to a local LO, the LO requires that the EB provides a CTP payment. As the EB will be delivering the project they cannot act as the CTP and decide to hold a fundraising event to raise the monies (with those contributing acting as CTPs). The EB contacts ENTRUST to get approval for the fundraising process and to act as an intermediary for the CTP payments. ENTRUST provide approval as the fundraising process and literature are acceptable and the CTP payments are to be numerous and small making direct payment to the LO not practical, in addition to this, once collected the movement of the monies collected will be auditable. The literature makes it clear that the funds will be provided to a LO in order to release the money for the project. The EB keeps records of the donors or the events at which money was raised, if keeping names and addresses of individuals is not practicable, for example fundraising from multiple individuals each giving a small amount.

Appendix B – CTP Decision Tree

