

# The Budget Report March 2011

## E3 Consulting's immediate responses

### Time to Make More of Your Allowances ...Before They're Gone!

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In today's Budget Report (BR'11) the Chancellor of the Exchequer announced his strategy for growth and simplification of the business environment, including wide scale changes to the UK tax regime. Many of the measures announced will affect both property and construction sectors as well as the many businesses for which property expenditure is a major business expense.

- Headline rate of Corporation tax will fall by 2% from April 2011 to 26%, and a further 1% per annum for each of the next three years. This gives the UK a 23% target rate, the lowest amongst the G7 countries. *This is clearly a welcome change, helping businesses within the UK to become more competitive in a global economy.*
- Corporation tax - having become so complex that the UK currently has the longest tax code in the World - was overdue for a massive simplification. 43 tax reliefs are to be abolished following the recommendations from the Office of Tax Simplification (OTS) report published earlier in March. *The full extent and timing of these changes will become clear over time as the 'small print' is released by HM Treasury and HM Revenue & Customs.*
- 21 new Enterprise Zones (EZs) were announced - The new EZs will permit 100% business rates reduction, simplify and accelerate planning to reduce the barriers to development and give access to tax payers for 100% Enhanced Capital Allowances (ECAs) - prioritised towards manufacturing and Superfast broadband. The first ten EZs will be in urban areas of highest need and economic potential.

In:

- Birmingham and Solihull
- Leeds
- Liverpool
- Greater Manchester
- The Tees Valley
- Tyneside
- The Bristol area
- The Black Country
- Derbyshire and Nottinghamshire
- Sheffield

Another London EZ is to be announced by The Mayor of London and a further 10 EZs are to be announced in the summer. In return for radically reduced planning restrictions, local authorities will be permitted to keep all business rate growth in their zone for a period of at least 25 years to spend on development priorities.

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*These are a favourite of the Conservative party, previously introduced in the 1980s and extend the current EZAs that were due to expire in eight days time - on 31 March 2011. We will need to review the detail on how ECAs will be amended to address the targeted needs of these Enterprise Zones. More details being announced by the Government tomorrow.*

- *'Time is called' for Land Remediation Relief as Chancellor announces plans to abolish after 2012. This has historically given property owners and developers between 50% and 150% relief on the remediation of contaminated land sites, and additionally since April 2009, on the remediation of long term derelict land. Highlighted by the Office of Tax Simplification the precise dates will be announced at a later date. However these measures will frustrate many projects already on the drawing board and may scupper some altogether with the denial of these valuable tax incentives for regeneration. Hopefully the EZs (above) may help to mitigate some aspects of this measure over time!*
- *Planning authorities are also in the firing line from the Chancellor, recognising the need to resolve planning conflicts and expedite approvals to encourage redevelopment and growth. Measures to include prioritisation of sustainable developments and business growth, whilst preserving green belt and removing artificial planning targets. Property owners and developers will welcome the 'unblocking of the planning system' to be more business and enterprise focused.*
- *VAT announcements were generally kept to a minimum, only covering business samples, splitting of supplies specific relief for Academies and imported goods of low value. Businesses are strongly advised to ensure sound VAT tax planning is in place, especially for those undertaking major projects and particularly those in the healthcare, charities and financial services sectors.*
- *Landfill tax - no new announcements, but confirmation that rates will be £56 per tonne from April 2011 and £64 per tonne from April 2012. Increasing the costs of sending waste to landfill will encourage investment in sustainable waste management options including waste to power alternatives.*

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- £250m fund to support first time purchasers of new homes through a shared equity scheme. *A welcome boost to help close the funding gaps faced by first time buyers whilst also encouraging house builders to progress with new developments, creating jobs, regeneration and long term prosperity across the country.*
- Business Premises Renovation Allowances, will continue to give tax payers 100% capital allowances on bringing back into use dis-used business premises within certain geographic areas of the country. *This is an extension of an existing tax break for a further five years - there are however, some issues about the criteria and availability of these allowances that should be addressed to ensure these measures achieve their intended outcomes - as highlighted by the Office of Tax Simplification.*
- Doubling of relief for Short Life Assets (SLAs), these normally provide capital allowances over a four year period and this is to be extended to eight years. *This will encourage many businesses, particularly those in the retail or leisure and hospitality sectors to consider the frequency of their refurbishments and asset renewal programs to see if accelerated capital allowances from SLAs would be advantageous to their business cash flow.*
- New Consultation on mandatory pooling of fixtures – The Government will consult on plans to introduce changes to the capital allowances fixtures rules that businesses must pool their expenditure on fixtures in a building within a short period of acquiring the building, in order to qualify for capital allowances. A consultation document will be published at the end of May. *This will require businesses to become much more proactive in assessing and claiming their available tax relief and, subject to the consultation, and detailed legislation that follows, may create some form of 'sunset clause' extinguishing the tax relief if not claimed soon after purchase.*
- New Anti Avoidance measures to be introduced to tackle abuses to plant & machinery claims, where Government is seeking to remove the existing test “sole or main benefit” to a more comprehensive anti avoidance provision. *We will*

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*await the proposed consultation in May 2011 to consider the pros and cons of any recommendations. Historically though HMRC has used its sledgehammer to crack the proverbial nut!*

- Minor changes to the assets qualifying for 100% Enhanced Capital Allowances - certain energy efficient hand dryers - added; automatic monitoring and targeting equipment to be revised. *This is a regular review of the assets on the ECA technology lists and designers and property investors will be encouraged to ensure they fully consider ECAs early on in their design and project planning processes.*

E<sup>3</sup> Consulting, property taxation specialists, operate from Offices in Southampton, London and Manchester and work with clients that own, operate or invest in property across the UK and overseas. If you would like to discuss any aspects further please contact our team to see if you, or your clients, could optimise the available property tax savings from you property expenditure on [healthcheck@e3consulting.co.uk](mailto:healthcheck@e3consulting.co.uk) or 0845 230 6450.

- Ends -

#### Editor's notes

##### E<sup>3</sup> Consulting

E<sup>3</sup> Consulting is a specialist property taxation consultancy and has its main office at Town Quay, Southampton SO14 2AQ, complementing their presence in Manchester and London. They have recently added VAT to their range of property taxation services through Martin Scammell becoming a Consultant to the firm.

The firm's Managing Director, Alun Oliver MCIM MBA FRICS is a recognised expert in the field of property tax including capital allowances, land remediation tax relief, repairs & maintenance and he regularly speaks at property tax conferences throughout the UK. In recognition of his expertise, Alun was short listed in the 2007 Taxation Awards as Tax Lecturer of the Year, by publisher Lexis Nexis.

E<sup>3</sup> Consulting's team has wide ranging experience across all property sectors including amongst others; **hotel, bar and pub owners and operators, car dealerships and care homes as well as GP/dental surgeries** and numerous SME and plc clients.

E<sup>3</sup> provides expert support to property investors, developers and owners whether directly or in conjunction with other professionals, particularly accountants and lawyers to ensure the property taxation aspects are fully considered

Alun is also part-time tutor at The College of Estate Management and occasional lecturer at Kingston University and is also active within the Royal Institution of Chartered Surveyors (RICS); sitting on the RICS

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Taxation Policy Panel and previously serving as Vice Chairman and Chairman of the RICS South East Regional Board between 2003-8.

Alun is also a Liveryman of the Worshipful Company of Haberdashers and also the Worshipful Company of Chartered Surveyors. He has also been a Governor of Hatcham Federation in New Cross Gate that combines Haberdashers' Hatcham College with Haberdashers' Knights Academy in Lewisham.

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