#23-09-2022 – Autumn Statement – Tax Bonfire! Real Estate & Construction Update

Today (Friday 23 September 2022), the Chancellor, Kwasi Kwarteng MP, made his ‘Mini Budget’ - dubbed “The Growth Plan 2022”. Announcing radical changes to tax and boosting various fiscal incentives to help nurture rapid growth, investment and productivity across the UK. Cutting income tax, corporation tax, business rates, NIC and SDLT to name a few. Creating in our view a monster Tax Bonfire!

“An extremely radical Autumn ‘Mini’ Statement – sweeping tax reforms to deliver growth – potentially a massive gamble – but could be bold reforms to drive growth, investment and innovation. New Investment Zones (akin to 1980’s styled Enterprise Zones) with ten-year tax incentives should encourage investment, create jobs and accelerate growth. These will enjoy significantly better capital allowances, as well as reduced business rates and SDLT. The challenge will be how quickly these significant announcements can become policy and support UK businesses and households!

With two significant consultations around capital allowances and tax relief, it is good to see longer term measures finally being announced (after much lobbying) alongside reduced tax rates for both business and individuals. Additional promises to address planning reforms – which may override the current Levelling Up & Regeneration Bill (or perhaps complement and extend it? Only time will tell!) as the draft legislation gets published over the next few weeks and months.” **- Alun Oliver, E3 Consulting Managing Director.**

Further details are expected over the next few days. Herewith we draw upon the ‘HM Government The Growth Plan 2022’ details summarised below. This summary focuses on the key tax, property and construction changes and does not cover all aspects:

3.9 A competitive business tax system supports investment, innovation and economic growth in the UK. Since 2010, successive cuts have been made to the main rate of Corporation Tax, reducing it from 28% in 2010 to 19% in April 2017. This has resulted in UK having a headline Corporation Tax rate which is significantly lower than the rest of the

G7. The government has committed to cancel the increase in the main rate of Corporation Tax to 25% that was due to take effect from April 2023, keeping the rate at 19%.

3.11 To further support businesses to invest and grow, the government will make permanent the temporary £1 million level of the Annual Investment Allowance (AIA), which was due to expire after 31 March 2023. This will support business investment, provide businesses with more stability and make tax simpler for any business investing between £200,000 and £1 million in plant and machinery. This means businesses can deduct 100% of the costs of qualifying plant and machinery up to £1 million in the first year.

3.13 In 2021 the government launched a review of the Research and Development (R&D) tax reliefs. Several reforms have since been announced, including bringing pure mathematics research within scope of the reliefs, including data and cloud computing as new qualifying costs and refocussing the reliefs towards innovation in the UK. The government will continue the review, with any further reforms announced as usual at a fiscal event.

3.16 The government is focused on delivering high quality regulation that supports economic growth. The Growth Plan announces that the Prudential Regulation Authority will scrap poorly designed EU rules that limit variable pay for senior bankers, which undermine growth and hinder financial stability.

Investment Zones

The government will work with the devolved administrations and local partners to introduce Investment Zones across the UK. Investment Zones aim to drive growth and unlock housing. Areas with Investment Zones will benefit from tax incentives, planning liberalisation, and wider support for the local economy. The specific interventions in Investment Zones will include:

- **Lower taxes** – businesses in designated sites will benefit from time-limited tax incentives.
- **Accelerated development** – there will be designated development sites to deliver growth and housing. Where planning applications are already in flight, they will be streamlined and we will work with sites to understand what specific measures are needed to unlock growth, including disapplying legacy EU red tape where appropriate. Development sites may be co-located with, or separate to, tax sites, depending on what makes most sense for the local economy.
- **Wider support for local growth** – for example, through greater control over local growth funding for areas with appropriate governance. Subject to demonstrating readiness, Mayoral Combined Authorities hosting Investment Zones will receive a single local growth settlement in the next Spending Review period.

Specified sites in England will benefit from a range of time-limited tax incentives over 10 years. The tax incentives under consideration are:

- **Business rates** – 100% relief from business rates on newly occupied business premises, and certain existing businesses where they expand in English Investment Zone tax sites. Councils hosting Investment Zones will receive 100% of the business rates growth in designated sites above an agreed baseline for 25 years.
- **Enhanced Capital Allowance** – 100% first year allowance for companies' qualifying expenditure on plant and machinery assets for use in tax sites.
- **Enhanced Structures and Buildings Allowance** – accelerated relief to allow businesses to reduce their taxable profits by 20% of the cost of qualifying non-residential investment per year, relieving 100% of their cost of investment over five years.

- **Employer National Insurance contributions relief** – zero-rate Employer NICs on salaries of any new employee working in the tax site for at least 60% of their time, on earnings up to £50,270 per year, with Employer NICs being charged at the usual rate above this level.
- **Stamp Duty Land Tax** – a full SDLT relief for land and buildings bought for use or development for commercial purposes, and for purchases of land or buildings for new residential development.

The Department for Levelling Up, Housing and Communities will shortly set out more detail on the planning offer. This will include detail on the level of deregulation and the streamlined mechanism for securing planning permission.

The government will deliver Investment Zones in partnership with Upper Tier Local Authorities and Mayoral Combined Authorities in England, who will work in partnership with their relevant districts and/or constituent councils. All Investment Zone agreements will contain tax and development sites. Areas will be responsible for putting forward sites and demonstrating their potential impact on economic growth, including by bringing more land forward and accelerating development.

Investment Zones will only be chosen following a rapid Expression of Interest process open to everyone, and after local consent is confirmed. However, examples of illustrative sites that may have the potential to accelerate growth and deliver housing in the way the Investment Zone programme envisages can be found in Annex A.

The government is in early discussions with 38 Mayoral Combined Authorities and Upper Tier Local Authorities who have already expressed an initial interest in having a clearly designated, specific site within their locality. A full list of these 38 authorities is available in Annex A.

The government will deliver Investment Zones in Scotland, Wales and Northern Ireland and intends to work in partnership with the devolved administrations and local partners to achieve this. The government will legislate for powers to create tax and development sites in Investment Zones where powers are reserved.

The government remains committed to the progress of the Freeports programme. The government will work with local partners involved in current and prospective Freeports to consider whether and how the Investment Zones offer can help to support their objectives, as part of the wider process for identifying Investment Zones. This will ensure that both programmes complement one another.

3.21 The government will bring forward the 1 percentage point cut to the basic rate of income tax to April 2023, 12 months earlier than planned. This is a tax cut of over £5 billion a year that allows workers, savers and pensioners to keep more of their income, with an average gain of £170 in 2023-2024. This will apply to the basic rate of non-savings, non-dividend income for taxpayers in England, Wales and Northern Ireland; the savings basic rate which applies to savings income for taxpayers across the UK; and the default basic rate which applies to non-savings and non-dividend income of any taxpayer that is not subject to either the main rates or the Scottish rates of income tax.

3.29 The government is reducing the tax burden on people buying a home. From 23 September 2022, the government will increase the threshold above which Stamp Duty Land Tax (SDLT) must be paid on the purchase of residential properties in England and Northern Ireland from £125,000 to £250,000.

3.30 The government will also increase the relief that first-time buyers can receive. From 23 September 2022, the threshold at which first-time buyers begin to pay residential SDLT will increase from £300,000 to £425,000 and the maximum value of a property on which first-time buyers' relief can be claimed will also increase from £500,000 to

£625,000. These changes will reduce the cost of purchasing a home and will take 200,000 homebuyers, including 60,000 first-time buyers, out of SDLT entirely. As SDLT is devolved in Scotland and Wales, the Scottish and Welsh Governments will receive funding through the agreed fiscal framework to allocate as they see fit.

3.31 To make buying a home a reality, the government must accelerate housing delivery. Planning permission was granted for more than 310,000 homes last year, up 10% on the year before, but further reform is needed. Later this autumn, the government will set out its vision to unlock homeownership for a new generation by building more homes in the places people want to live and work and by getting our housing market moving. This will boost growth across the UK helping more people afford to live near good jobs. The government's full proposal will be set out in due course.

3.32 The government will promote the disposal of surplus public sector land by allowing departments greater flexibility to reinvest the proceeds of land sales over multiple years. This will encourage the sale of more public land for housing and allow departments and the NHS to reinvest in public services. Devolved administrations have bespoke flexibilities to move funding between financial years and the government will discuss the implications of this change with them in due course.

3.34 The UK's planning system is too slow and too fragmented. For example, an offshore wind farm can take four years to get through the planning process and no new substantive onshore wind farm has received planning consent since 2015. On some metrics, the system has also been deteriorating in recent years: the timespan for granting Development Consent Orders (DCOs) increased by 65% between 2012 and 2021.

3.36 The Growth Plan announces that new legislation will be brought forward in the coming months to address these barriers by reducing unnecessary burdens to speed up the delivery of much-needed infrastructure. This includes:

- reducing the burden of environmental assessments
- reducing bureaucracy in the consultation process
- reforming habitats and species regulations
- increasing flexibility to make changes to a DCO once it has been submitted.

3.37 The Growth Plan also announces further sector specific changes to accelerate delivery of infrastructure, including:

- prioritising the delivery of National Policy Statements for energy, water resources and national networks, and of a cross-government action plan for reform of the Nationally Significant Infrastructure planning system
- bringing onshore wind planning policy in line with other infrastructure to allow it to be deployed more easily in England
- reforms to accelerate roads delivery, including by consenting more through the Highways Act 1980 and by considering options for changing the Judicial Review system to avoid claims which cause unnecessary delays to delivery
- amendments to the Product Security and Telecommunications Infrastructure Bill to give telecoms operators easier access to telegraph poles on private land, supporting the delivery of gigabit capable broadband.

3.43 A simple tax system is critical for growth. Instead of having a separate arms-length body oversee simplification, the government will embed tax simplification into the institutions of government. It will therefore abolish the Office of Tax Simplification and set a mandate to HM Treasury and HMRC to focus on simplifying the tax code.

3.48 Farmers do essential work in producing high quality food for consumption at home and for export. However, agricultural productivity growth has been weak for many years and this needs to change to support the rural economy. The government will rapidly review frameworks for regulation, innovation, and investment that impact farmers and land managers in England. This will ensure government and industry are working together to strengthen UK food security, and maximise the long-term productivity, resilience, competitiveness, and environmental stewardship of the British countryside. The government will set out plans later this autumn.

Alun Oliver said *"Today's 'Mini Budget' was rather more significant that first suggested with sweeping reforms created by the Chancellor's bonfire of the UK Tax code!*

We welcome the publication of The Growth Plan – setting out across its forty pages a wide range of proposals - the key challenge of which will be how quickly these bold proposals can be implemented and embraced by industry to deliver the much-vaunted growth".

Whilst the Treasury Committee is still asking for input on UK Tax Relief Reform, these announcements have seemingly 'jumped the gun' and ordained widespread tax reform and specifically boosted capital allowances in new Investment Zones – at long last set out *over a reasonable time period of ten years - enabling taxpayers to engage and adopt within their business planning cycles.*

Arguably the global economy still has some significant challenges and uncertainty – whether the Ukraine/Russia conflict, energy prices or broader inflationary pressures - so these policy announcements will not operate in isolation and may or may not bear the fruit anticipated. There are many aspects that will impact and support the construction, property and infrastructure sectors including planning reforms and SDLT reductions for new development – certainly the new Government has set out its stall. Time will tell… if these turn out to be a rash gamble or shrewd, potentially history making, reforms!

If have any property tax issues please do get in touch for a no obligation discussion. You can phone the team on 0345 230 6450 or email hello@e3consulting.co.uk.

E^3 Consulting provides specialist property tax advice to homeowners, developers investors and occupiers of UK real estate from offices in Bournemouth and London advising on Capital Allowances, Land Remediation Relief, VAT, Repairs and Maintenance and Community Infrastructure Levy (CIL).

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