Autumn Statement - Property Tax Update
Key Real Estate Announcements and Proposals
A lot of noise… but mixed messages as to growth

ALUN OLIVER FRICS, Managing Director of E³ Consulting, discusses the initial reaction to the Property Taxation aspects of the 'Autum Statement' announced today (30 October 2024) by Rachel Reeves MP, Chancellor of the Exchequer.

This review highlights the measures impacting the built environment as well as the wider property, construction – including leisure and hospitality sectors.

These are largely drawn from the Autumn Statement Report and augmented by the Corporate Tax Roadmap. There will no doubt be further details available over the coming days and weeks as draft legislation is released and/or further explanations and details become available.

In summary over hyped and under delivered may be the narrative - there was much anticipation from 'leaks' or media announcements. Over £40bn of tax raising measures that will impact many businesses and potentially unduly rest on SME sector, the combined impact of National Insurance Contributions (NIC), increased Minimum Wage and Business Rates may hit the Retail, Leisure and Hospitality sectors hard – despite the 'smoke and mirrors' of increasing rate, reducing threshold and then increasing Allowances… it may still be too much for many smaller operators to bear!

There were relatively minor changes to capital allowances including the extension of time for the 100% First Year Allowances for Electric Vehicle Charging Points from 31 March 2025 to 31 March 2026 – in support of the transition from fossil fuels to electric vehicles. But otherwise relatively few immediate causes for concern but neither celebration!

The measures include:

2.60 The government is committed to managing the energy transition in a way that supports jobs in existing and future industries and so will retain the availability of 100% first year capital allowances within the EPL. As announced in July, the decarbonisation allowance will also remain in order to incentivise the sector to invest in cleaner, lower-emission technologies and will be set at 66% to maintain its cash value.

3.30 The Budget delivers the next steps in the government's approach to regional growth, through investment, devolution and reform. On investment, this includes:

- Shifting the dial on growth in our great northern cities, including confirming investment in the Liverpool Central Docks to deliver up to 2,000 homes and transform the waterfront. The government is also increasing the City Region Sustainable Transport Settlements, which are funding projects such as Liverpool's Baltic Railway

Station, the renewal of Sheffield's Supertram system and the continued development of West Yorkshire Mass Transit.

- Securing delivery of the Transpennine Route Upgrade and maintaining momentum on Northern Powerhouse Rail by progressing planning and design works to support future delivery. The government will set out further details in due course.
- Unlocking transformational growth in the Oxford, Milton Keynes and Cambridge corridor through £10million of funding to enable the Cambridge Growth Company to develop an ambitious plan for the housing, transport, water, and wider infrastructure Cambridge needs to realise its full potential, and by taking the next steps to deliver East West Rail. This will support life sciences companies and unlock private investment, cementing Cambridge's status as a globally renowned centre of excellence and its important role within the Industrial Strategy.
- Investing in growth and regeneration projects across the UK. The Budget confirms funding for the Investment Zones and Freeports programmes UK-wide, including approval of the East Midlands Investment Zone to support advanced manufacturing and green industries, and the designation of five new customs sites in existing Freeports. The UK Shared Prosperity Fund will continue at a reduced level for a further year with £900million of funding; this transitional arrangement will provide as much stability as possible in advance of wider local growth funding reforms. The Long-Term Plan for Towns will be retained and reformed into a new regeneration programme.
- Proceeding with the Mid South West and Causeway Coast and Glens City and Growth Deals. The Budget confirms £162million of investment over 15 years, subject to value for money assessments of business cases, supporting economic growth in Northern Ireland's rural regions. The government also confirms £25million for the 10-year investment in the Argyll and Bute City and Growth Deal to drive inclusive and sustainable economic growth, subject to a value for money assessment on business cases. The government will work with the devolved governments to agree an appropriate level for this. The government also confirms £80million of funding for the Port Talbot Transition Board, with work already underway to support workers and businesses affected by decarbonisation at Tata Steel.
- Confirming £125million for Great British Energy, which will be headquartered in Aberdeen. The government has also confirmed support for two electrolytic hydrogen projects in Scotland, in Cromarthy and Whitellee, and two in Wales, in Milford Haven and Bridgend, to support low carbon hydrogen production and directly create good quality, local jobs.
- Supporting Scottish trade by providing £0.75million to establish Brand Scotland, a programme run by the Scotland Office to promote Scottish investment opportunities and exports across the globe.
- Designating tax sites in Celtic Freeport in South Wales, meaning businesses will be able to start to benefit from tax reliefs on new investment and employment in those sites in November, supporting the Freeport to create good, highly skilled jobs in an area that needs them.

3.53 The Budget also ensures support for these sectors is distributed across the UK. As noted above, the Investment Zones and Freeports programmes will continue. The government is announcing the approval of the East Midlands Investment Zone, which will use its funding envelope to drive growth in green industries and advanced manufacturing. Funding was also released earlier this month for Investment Zones supporting advanced manufacturing in the West Midlands and life sciences in West Yorkshire, supporting major clusters in the Industrial Strategy's growth-driving sectors. In addition, the Cambridge life sciences cluster is being supported by taking the next steps in delivering East West Rail, to connect the laboratories, industrial parks, and housing needed.

3.80 The transition to electric vehicles (EVs) is crucial to decarbonising transport and will support growth and productivity across the UK. There are now more than 1 million electric cars on our roads *[fn: Vehicle licensing statistics: April to June 2024].* The government has committed to phasing out new cars that rely solely on internal combustion engines by 2030 and that from 2035 all new cars and vans sold in the UK will be zero emission. The government is building on this by:

- Investing over £200million in 2025-26 to accelerate EV chargepoint rollout, including funding to support local authorities to install on-street chargepoints across England. This will build on the UK's existing charging network, which continues to grow at pace with over 70,000 public chargepoints. *[fn: EV charging statistics 2024, zapmap, 2024].*
- Providing £120million in 2025-26 to support the purchase of new electric vans via the plug-in vehicle grant and to support the manufacture of wheelchair accessible EVs. • Maintaining tax incentives to purchase electric cars through Vehicle Excise Duty First Year Rates and the Company Car Tax regimes, as well as by extending 100% First Year Allowances for electric cars and chargepoints for a further year.

4.61 To spread growth across the country, this settlement provides the stability that local leaders and investors need by:

- **Confirming funding for Investment Zones and Freeports** – continuing the UK-wide programmes to create additional jobs and drive economic growth in areas that have economically underperformed in the past. MHCLG will also work with partners to ensure the Freeports policy model aligns with the national Industrial Strategy.
- Unlocking future economic growth through £10million of funding to enable the Cambridge Growth Company to develop an ambitious plan for the housing, transport, water and wider infrastructure Cambridge needs to realise its full potential and taking the next steps to deliver East West Rail.
- Continuing the UK Shared Prosperity Fund at a reduced level for a transition year by providing £900million for local authorities to invest in local growth, in advance of wider funding reforms.
- Confirming £80million of funding for the Port Talbot Transition Board, with work already underway to support workers and businesses affected by decarbonisation at Tata Steel.
- Confirming funding for MHCLG's core Levelling Up Fund projects – providing £1.0billion in 2025-26 to revitalise high streets, town centres and communities. To ensure investment is focussed on the growth mission, the government is minded to

cancel unfunded Levelling Up Culture and Capital Projects, and the West Midlands culture and inward investment funding, that were announced at Spring Budget 2024, but will consult with potential funding recipients before making a final decision.

- Extending and deepening English devolution by building mayoral capacity and continuing to work with Mayors and local leaders to deliver the growth mission. In light of this approach, the government is minded to cease funding for the functions previously delivered by Local Enterprise Partnerships and the Business Board Network, and will consult on ending funding for pan-regional partnerships. The government will roll out new Local Growth Plans working with places to take advantage of their economic potential and foster clusters of well-paid jobs.
- Delivering integrated settlements in Greater Manchester and the West Midlands, giving Mayors meaningful control over funding and improving the fragmented funding landscape for Mayoral Combined Authorities with a flexible single pot.

5.65 Capital Gains Tax Rates - The lower and higher main rates of Capital Gains Tax will increase to 18% and 24% respectively for disposals made on or after 30 October 2024. The rate for Business Asset Disposal Relief and Investors' Relief will increase to 14% from 6 April 2025, and will increase again to match the lower main rate at 18% from 6 April 2026. The new rates will be legislated in Finance Bill 2024-25.

5.66 Capital Gains Tax: Investors' Relief lifetime limit – The lifetime limit for Investors' Relief will be reduced to £1million for all qualifying disposals made on or after 30 October 2024, matching the lifetime limit for Business Asset Disposal Relief. This will be legislated in Finance Bill 2024-25.

5.69 Business rates: removing charitable rate relief from private schools - As announced on 29 July 2024, private schools in England will no longer be eligible for charitable rate relief. The Ministry of Housing, Communities and Local Government (MHCLG) will bring forward primary legislation to amend the Local Government Finance Act 1988 to end relief eligibility for private schools. This change is intended to take effect from April 2025, subject to Parliamentary process. Private schools which are 'wholly or mainly' concerned with providing full time education to pupils with an Education, Health and Care Plan will remain eligible for relief.

5.70 Business rates: retail, hospitality and leisure relief - For 2025-26, eligible retail, hospitality and leisure (RHL) properties in England will receive 40% relief on their business rates liability. RHL properties will be eligible to receive support up to a cash cap of £110,000 per business.

5.71 Business rates: multipliers - For 2025-26, the small business multiplier in England will be frozen at 49.9p. The government will lay secondary legislation to freeze the small business multiplier. The standard multiplier will be uprated by the September 2024 CPI rate to 55.5p.

5.72 Business rates: sectoral multipliers – The government intends to introduce permanently lower multipliers for Retail, Hospitality and Leisure (RHL) properties from 2026-27, paid for by a higher multiplier for properties with Rateable Values above £500,000.

5.73 Business rates reform - A discussion paper has been published setting the direction of travel for transforming the business rates system and inviting industry to a dialogue about future reforms.

5.74 Business rates: Disclosure Consultation Summary of Responses - The Valuation Office Agency (VOA) is publishing a response to the March 2023 Consultation on Disclosure, which sets out the next steps on increasing the transparency of business rates valuations by disclosing more information.

5.75 Stamp Duty Land Tax: Increase to the Higher Rates on Additional Dwellings - From 31 October 2024 the Higher Rates for Additional Dwellings (HRAD) surcharge on Stamp Duty Land Tax (SDLT) will be increased by 2 percentage points from 3% to 5%. Increasing HRAD ensures that those looking to move home, or purchase their first property, have a comparative advantage over second home buyers, landlords, and businesses purchasing residential property. This is expected to result in 130,000 additional transactions over the next 5 years by first-time buyers and other people buying a primary residence. This surcharge is also paid by non-UK residents purchasing additional property. The single rate of SDLT that is charged on the purchase of dwellings costing more than £500,000 by corporate bodies will also be increased by 2 percentage points from 15% to 17%

5.91 Treatment of double cab pick up vehicles - Following a Court of Appeal judgement, the government will treat double cab pick-up vehicles (DCPUs) with a payload of one tonne or more as cars for certain tax purposes. From 1 April 2025 for Corporation Tax, and 6 April 2025 for income tax, DCPUs will be treated as cars for the purposes of capital allowances, benefits in kind, and some deductions from business profits. The existing capital allowances treatment will apply to those who purchase DCPUs before April 2025. Transitional benefit in kind arrangements will apply for employers that have purchased, leased, or ordered a DCPU before 6 April 2025. They will be able to use the previous treatment, until the earlier of disposal, lease expiry, or 5 April 2029.

5.112 Advance tax certainty for major projects - The government will launch a consultation in spring 2025 to develop a new process that will give investors in major projects increased tax certainty in advance.

5.113 Capital allowances: Green First Year Allowances - The government will extend for a further year the 100% First Year Allowances (FYA) for qualifying expenditure on zero-emission cars and the 100% FYA for qualifying expenditure on plant or machinery for electric vehicle chargepoints, to 31 March 2026 for corporation tax purposes and 5 April 2026 for income tax purposes.

5.114 Capital allowances: Extending full expensing to assets bought for leasing – The government will explore extending full expensing to assets bought for leasing or hiring, when fiscal conditions allow.

5.115 Capital allowances: Greater clarity on what qualifies for capital allowances - HMRC will continue to work with stakeholders to improve and clarify guidance on areas of uncertainty within the capital allowances system.

5.116 Capital allowances: Tax treatment of predevelopment costs – A consultation will be launched in the coming months that explores the tax treatment of predevelopment costs.

5.160 Future of Freeports and Investment Zones – The government is confirming funding for Investment Zones and Freeports across the UK, announcing the approval of the East Midlands Investment Zone to support advanced manufacturing and green industries, and confirming that five new customs sites will be designated in existing Freeports shortly. The government will also work to ensure the Freeports policy model aligns with the national Industrial Strategy.

Additional Points from the Corporate Tax Roadmap

Capital Allowances

2.18 This government is committed to a capital allowances regime that:

- helps support cross-economy business investment and our growth mission;
- is world-leading, giving the UK a competitive edge;
- is simple, while appropriately mitigating error and abuse risks; and
- is flexible, with choices for companies over which capital allowances to claim.

2.19 While the government wants to prioritise stability in this area, any changes made during this Parliament would be assessed against these objectives. Areas maintaining current treatment

2.20 Capital allowances play a vital role in the government's mission to boost economic growth. Generous capital allowances can help to influence investment decisions by reducing the cost of capital and can also help to simplify the decision making process in boardrooms.

2.21 There has been significant instability and unpredictability in recent years, with temporary measures and changes in the amount of the Annual Investment Allowance. This government will prioritise providing stability and certainty in this area and will maintain the core structure of the generous system for capital allowances that is currently in place for the duration of this Parliament.

2.22 The government will maintain:

- Full expensing, the 100% first-year allowance for companies on qualifying new main rate plant and machinery, and the 50% first-year allowance for companies on qualifying new special rate plant and machinery. This keeps the UK at the top of global rankings, as the only major economy with permanent full expensing.
- Annual Investment Allowance, the 100% first-year relief for plant and machinery investments up to £1 million, available for all businesses, including unincorporated businesses and most partnerships.
- Writing down allowances for main rate and special rate plant and machinery. The capital allowances system will remain flexible with a continuing role for writing down allowances, with choices for businesses over which allowances to claim.

- Structures and Buildings Allowance, providing relief for capital expenditure on the purchase, construction, and renovation of new non-residential structures and buildings.

2.23 Over the course of this Parliament, the government will seek to work closely with stakeholders to further explore the following issues:

- Clarity on what qualifies for different capital allowances. The government will provide businesses with greater clarity on what qualifies for capital allowances to help make investment decisions. HMRC has already issued a number of guidance changes following discussions with industry and tax experts on common areas of uncertainty such as the treatment of computer software and the interaction between the annual investment allowance and full expensing.
- Simplification. The government is grateful for contributions to the existing full expensing simplification industry working 16 group, and responses to the technical consultation. As the legislation to make full expensing permanent is already in place, we will proceed with this work to a slower timeframe over this Parliament. This exercise is not intended to materially change which expenditure is eligible for full expensing or the way in which it is claimed. Rather, it aims to consolidate and simplify the Capital Allowances Act 2001, making the capital allowances system more straightforward for businesses.
- Predevelopment costs. The government is aware of business concerns regarding predevelopment costs, following the Gunfleet Sands Ltd and others vs. HMRC (2023) decision. We will explore this carefully with affected stakeholders through a consultation to be launched in the coming months, to help inform the government's next steps and potential options. A core pillar of our Growth mission is to encourage investment in renewable energy and major infrastructure projects, and the government is therefore keen to understand the impact of the tax rules on the costs of such investments.
- Extending full expensing to assets bought for leasing. The government is grateful for contributions to the leasing industry working group, and representations received on this topic to date. The government recognises the case to extend full expensing to leasing and will explore making this change when fiscal conditions allow.

Land Remediation Tax Relief

2.42 Building more is key to raising everyone's living standards and boosting economic growth. The government is committed to a brownfield first approach, prioritising the development of previously used land wherever possible.

2.43 The government recognises the positive impact that Land Remediation Relief can have to further this goal, by providing extra tax relief for the substantial costs involved in cleaning up contaminated or derelict land and preparing it for redevelopment.

2.44 There have been limited changes to Land Remediation Relief over the last 23 years, since it was first introduced in 2001. Following the publication of the Office for Tax Simplification's review of tax reliefs, government consulted on the removal of Land Remediation Relief in 2011 but decided against its removal.

2.45 Given the amount of time since the last review of the tax relief and the potential for the relief to help progress the government's objectives, the government will launch a consultation to review the effectiveness of Land Remediation Relief in Spring 2025. This will determine whether it is still meeting its objective of boosting development on brownfield land and evaluate its value for money.

There is a lot to digest but we will endeavour to clarify and expand on these announcements over the coming days and weeks as the details are published by HM Treasury, MCLGH and HMRC and set out how we can support you in optimising your property tax position in light of the Autumn Statement.

Alun Oliver, Managing Director of E³ Consulting, comments:

"More noise than substance! To us, there were no stand-out points that will markedly help growth and resilience and many that could concern many SME businesses, particularly those in the Retail, Leisure and Hospitality sectors – despite the limited measures – clearly aimed to appear more supportive than perhaps the reality."

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E³ Consulting is an award-winning provider of independent property taxation advice. Established in 2003 with clients throughout the UK and across the world, it specialises in areas of complex legislation including Capital Allowances, Community Infrastructure Levy (CIL), Land Remediation Tax Relief and VAT. E³ Consulting was named *'Best Independent Tax Consultancy Firm'* at Tolley's Taxation Awards 2024.

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