E3 Consulting's Reaction to Autumn Statement - Real Estate Tax Update

Today's Autumn Statement focused on economic performance and helping businesses prosper and grow - through reduced costs from Business Rates and Employment of under 21 year olds. Further assault continues on tax abuse and evasion to 'level the playing field for all tax payers.

A number of these impact the property and construction sectors and E^3 Consulting's Managing Director, Alun Oliver, highlights here the key property and tax issues for your information. If you wish to discuss any specific measures please do contact us.

Energy efficiency support for landlords

The government will introduce a £90 million scheme to support private landlords in improving the energy efficiency of their properties, which will improve around 15,000 of the least energy efficient rental properties each year for 3 years.

Public sector energy efficiency loans

The government will provide an additional £90 million of funding for public sector energy efficiency projects.

These measures continue the Government's energy efficiency drive, but remain at the 'small-end' of incentive programs - being £30 p.a. for three years!

Business premises renovation allowance (BPRAs)

Following a technical review of the business premises renovation allowance published on 18 July 2013, the government is making changes to simplify the scheme, make it more certain in its application and reduce the risk of exploitation, with effect from April 2014

Simplification is always appreciated as BPRA rules are particularly complex - a watching brief that Government does try to reduce the tax scope and benefit of the current 100% capital allowances relief at the same time - devil in the detail of forthcoming Finance Bill 2014!

Business rates: indexation

The government will cap the RPI increase in business rates at 2% for 1 year from 1 April 2014.

Business rates: discount

The government will introduce a business rates discount of £1,000 for retail and food and drink premises with a rateable value below £50,000 for 2 years up to the state aid limits from 1 April 2014.

Business rates: reoccupation relief

The government will introduce a 50% business rates relief for 18 months up to the state aid limits for businesses that move into retail premises that have been empty for a year or more. Businesses which move into empty premises between 1 April 2014 and 31 March 2016 will be eligible for the relief.

Small Business Rate Relief (SBRR)

The government will extend the doubling of SBRR for a further year from 1 April 2014 to 31 March 2015.

Small Business Rate Relief on second properties – The government will relax the SBRR rules to allow businesses in receipt of SBRR taking on an additional property to retain SBRR on the first property for 1 year, with effect from 1 April 2014.

Business rates: payment – The government will allow businesses to pay business rates over 12 months rather than 10 months, with effect from 1 April 2014.

Business rates: appeals – The government will consult on reforms to the business rates appeals process and will commit to clear 95% of the September 2013 backlog of appeals before July 2015.

Business rates administration: longer-term reform

The government will publish a discussion paper in spring 2014 setting out the advantages and disadvantages of different options for longer-term reforms to business rates administration which maintains the aggregate tax yield.

At last the message is getting through following significant pressure and lobbying from industry, these measures will all help reduce the costs of doing business on Britain's high streets and improve business prospects for growth.

Real Estate Investment Trusts (REITs)

The government will include REITs within the definition of 'institutional investor' from 1 April 2014.

Mooted in previous consultation, this will give REITs greater flexibility when arranging their business affairs and allow them to partner with other institutional investors using a more diverse range of structures.

Capital gains tax (CGT): private residence relief

The government via the Finance Bill 2014 will reduce the final period exemption from 36 months to 18 months from April 2014.

CGT: non-residents

The government will introduce CGT on future gains made by non-residents disposing of UK residential property, from April 2015. A consultation on how best to introduce the new CGT charge will be published in early 2014.

It is good to see these measures only targeting residential properties and so not hitting commercial transactions. With engagement from the Property and tax professions the resulting legislation will hopefully be measured yet effective in due course.

Stamp duty land tax (SDLT): charities relief

The government will legislate to make it clear that partial relief from SDLT is available where a charity purchases property jointly with a non-charity. The charity will be able to claim relief from SDLT on the proportion of the purchase attributable to it. The changes will take effect from the date on which Finance Bill 2014 receives Royal Assent.

A welcome point of clarification to give charities more certainty in their property transactions.

Onshore oil and gas allowance

The government will introduce an allowance in Finance Bill 2014, with immediate effect from 5 December 2013, to support onshore oil and gas exploration and development. The allowance will exempt a portion of a company's profits from the supplementary charge. The amount of profit exempt will equal 75% of the qualifying capital expenditure a company incurs on onshore oil and gas projects.

Government signalling its commitment to encouraging alternative fuel exploration, seems unduly complicated to create a new capital expenditure allowances based on 75% of capex when long standing capital allowances rules could have created an 'Onshore O&G First Year Allowance' at 100% - sitting more easily into existing range of allowances – Tax Simplification?!

Climate Change Agreements: data centres

The government will introduce a climate change agreement for the data centres sector by the end of 2013.

Hopefully this will address the industry's concerns impacting cost and competitiveness of UK Data Centres in a Global marketplace.

Aggregates Levy

As announced in the Written Ministerial Statement on 13 September 2013, the government will suspend the exemptions, exclusions and reliefs from the aggregates levy which are subject to the European Commission's state aid investigation, from 1 April 2014. The government will make provision for these to be reinstated should the outcome of the Commission's investigation allow, and to enable revenue received as a result of the suspensions to be repaid where practicable.

These measures will potentially impact new construction projects from 2014, unless reinstated following the EU Investigation.

Corporation tax: associated companies rules

The government will replace the associated companies rules with simpler rules based on 51% group membership in April 2015, when the main rate and small profits rate of corporation tax are unified at 20%.

A welcome tax simplification measure!

Local Plans

The government will consult on measures to improve plan making, including a statutory requirement to put a Local Plan in place.

We welcome this consultation to enforce LAs to put in place their Local Plan, a key to development in a plan led system and the cornerstone of the National Planning Policy Framework.

Permitted development

The government will consult on liberalising change of use from retail to restaurant or assembly and leisure uses, and liberalising planning restrictions on mezzanine floors in retail premises, where this will support town centres.

Ailing town centres are unlikely to be reinvigorated by the introduction of mezzanine floors however reduced regulation will always help reduce costs for businesses.

Planning conditions

The government will legislate to treat planning conditions as approved where a planning authority has failed to discharge a planning condition on time. The government will consult on legislative measures to strengthen the requirement for planning authorities to justify any conditions that must be discharged before building can start.

Welcome changes to expedite developments commencing on site and removing further uncertainty.

Statutory consultees

The government will consult on proposals to reduce the number of applications where unnecessary statutory consultations occur and pilot a single point of contact for cases where conflicting advice is provided by key statutory consultees.

Simplifications that will reduce time and cost of attaining planning approval increasing project viability.

Planning authority performance

The government will consult on increasing the threshold for designation under the Growth and Infrastructure Act from 30% to 40% of decisions made on time.

Can Local Authority planning departments cope? Will the system deliver against ambitious targets- time will tell!

Section 106 contributions

The government will consult on a new 10 unit threshold for section 106 affordable housing contributions to reduce costs for smaller builders.

Great news for smaller schemes - if the consultation outcome sets the right balance.

New Homes Bonus

The government will consult on measures to improve further the incentive of the New Homes Bonus, in particular withholding payments where local authorities have objected to development, and planning approvals are granted on appeal.

Any improvement to incentivise local authorities to ensure that they consider applications in favour of sustainable development will help to move this area forward.

Development benefits

The government wants to ensure that households benefit from development in their local area. Building on the measures we have already put in place at the local authority and community level (including the neighbourhood funding element of the Community Infrastructure Levy and the New Homes Bonus), the government will work with industry, local authorities and other interested parties to develop a pilot for passing a share of the benefits of development directly to individual households.

This proposal seeks to 'cashback' some of the benefits of development to local households – no doubt in turn as a greater incentive for local communities to accept development. First mooted over the summer around the 'fracking' debate not certain it would be a helpful precedent or cost to development.

Fuel duty

The fuel duty increase that was due to take effect on 1 September 2014, expected to be worth 1.61 pence per litre (ppl), will be cancelled.

Fuel duty incentives for cleaner fuels

The fuel duty differential between the main rate of fuel duty and the rate for road fuel gases such as compressed natural gas, liquid natural gas and biomethane will be maintained at current levels until March 2024. The differential between the main rate and the liquefied petroleum gas rate will continue to reduce by 1ppl each year to 2024. The government will review the impact of these incentives on vehicle uptake and the public finances at Budget 2018. The government will also seek EU approval to apply a reduced rate of fuel duty to methanol.

Rural fuel rebate

The government has extended the call for information on extension of the current rural fuel rebate scheme to remote areas on the UK mainland. The government intends to submit its application for EU approval for the extension in January 2014.

Vehicle Excise Duty (VED)

The government will introduce legislation to reduce tax administration costs and burdens by making the following changes with effect from 1 October 2014:

- motorists will be able to pay their VED by direct debit annually, biannually or monthly, should they wish to do so. A 5% surcharge will apply to biannual and monthly payments
- a paper tax disc will no longer be issued and required to be displayed on a vehicle windscreen

A series of measures to reduce business and personal living costs as well as reduce regulation - always welcome steps, but one has to wonder if VED would be more sensibly scrapped - or migrated to a few pence on a fuel prices - thereby taxing vehicle use rather than simply ownership.

Social investment tax relief –

The government will introduce a new tax relief for equity and certain debt investments in social enterprises with effect from April 2014. Organisations which are charities, community interest companies or community benefit societies will be eligible. Following consultation, investment in social impact bonds issued by companies limited by shares will also be eligible. The government will publish a roadmap for social investment in January 2014.

We await details early next year as to measures to promote tax efficient social investment.

E³ Consulting, property taxation specialists, operate from offices in Southampton and London and work with clients that own, operate, develop or invest in property across the UK as well as overseas. We also work closely with other professionals, including accountants, solicitors, surveyors, bankers or engineers to ensure their clients' projects are properly incorporating the appropriate tax breaks, incentives or costs.

If you would like to discuss any aspects of the 2013 Autumn Statement further please contact our team to understand how you, or your contacts, clients or projects, might be impacted (or indeed benefit) from these announcements. To see how much you could save against any current, future or even historic property expenditures contact us on healthcheck@e3consulting.co.uk or 0345 230 6450.

In addition to our website: www.e3consulting.co.uk

You can keep up to date with property tax issues and our thoughts on them by:

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