

#Budget2020 - Real Estate & Construction Update

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This was the first Budget of the new government, the first Budget for 500 days, and the first Budget of Chancellor, Rishi Sunak MP. It followed a Bank of England interest base rate cut from 0.75% to 0.25% announced earlier on 11th March 2020.

The first Budget of a new Parliament usually involves some 'difficult' choices - removing any risks before the next election!

Spring Budget 2020



However, this one was clearly focused on one main issue - the coronavirus. The Chancellor went straight to COVID-19 and promised to take whatever action was necessary to help support the UK economy, businesses, employers and the wider health and prosperity of the nation.

As always, the devil is in the detail and the tax headlines are matters only properly understood after more detailed reading of the Treasury Press Releases and other Budget documents - only released once the Budget Speech ended. The fullest details will be in the Finance Bill - scheduled for publication on Thursday 19 March. Herewith we draw upon the 'Red Book' details summarised below, however, other than being a significant 'spending budget' there was certainly no major surprises!

This summary focuses on the key tax/property/construction changes and does not consider all aspects:

COVID-19

The government will support businesses that experience increased costs or disruptions to their cashflow. This includes expanded Statutory Sick Pay changes, Business Rates reliefs, a Coronavirus Business Interruption Loan Scheme to support up to a further £1bn lending to SMEs, a £2.2bn grant scheme for small businesses, and a dedicated helpline for those who need a deferral period on their tax liabilities.

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Investing in NHS

The government has announced investment in hospitals, including over £100 million in 2020-21 to make progress on 40 new hospital projects, as part of a long-term programme of investment in health infrastructure to ensure the NHS has world-class facilities for patients. This will be accompanied by an increase in DHSC's capital budget of £683 million in the 2020-21 financial year to protect the level of NHS operational capital investment allowing Trusts to invest in important capital projects such as estate refurbishments and building maintenance.

Investing in Education

Budget provides £29 million a year by 2023-24 to support primary school Physical Education (PE) teaching and help schools make best use of their sports facilities. The funding will support high quality teacher training and professional development for PE, informed by best practice PE teaching.

The Budget provides £90 million a year to introduce an Arts Premium from September 2021, averaging out as an extra £25,000 a year per secondary school for three years. The funding will help schools to provide high quality arts programmes and extracurricular activities for pupils, including those delivered in partnership with arts organisations, as well as supporting teachers to deliver engaging and creative lessons in the arts.

Infrastructure

The second Road Investment Strategy (RIS2) will spend over £27 billion between 2020 and 2025, including:

- investing £20 million to develop the Midlands Rail Hub
- £1bn Transforming Cities Fund, locally -
 - £79 million for Bournemouth, Christchurch & Poole, including four new cycle freeways and new bus priority infrastructure.
 - £57 million for Southampton, including new Rapid Bus links.
 - a further £117 million for Portsmouth City Region, Norwich and Stoke-on-Trent subject to further business case approvals.

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Housing

The government noted progress in boosting housing supply with over 240,000 new homes created in 2018-19, the highest level in 32 years. To continue to support the country's needs the government committed to creating at least 1 million new homes in England by the end of this Parliament and an average of 300,000 homes a year by the mid-2020s.

However we note the Government remains stubborn and anachronistic in its outlook for incentivising large scale 'Build To Rent' (BTR) schemes through extending capital allowances to these investment grade projects. To distinguish from HMOs and individual Assured Shorthold Tenancies the government could integrate a threshold number of housing units per property/project to permit tax relief on new 'large scale' projects.

Land availability, as constrained by the planning system, is the most significant barrier to building more houses. The Secretary of State for Housing, Communities and Local Government will shortly set out comprehensive reforms to bring the planning system into the 21st century, followed by a Planning White Paper in the spring. These reforms will aim to create a simpler planning system and improve the capacity, capability and performance of Local Planning Authorities (LPAs) to accelerate the development process. Failing LPAs may face stronger government intervention.

Money Laundering

The government intends to introduce a levy to be paid by firms subject to the Money Laundering Regulations to help fund new government action to tackle money laundering and ensure delivery of the reforms committed to in the Economic Crime Plan. These reforms will help safeguard the UK's global reputation as a safe and transparent place to conduct business. The levy will be additional to ongoing public sector funding. The government will publish a consultation on the levy later this spring.

Tax

Confirming that the headline corporation tax rate will remain at 19% in 2020, the lowest in the G20, the Budget ensures that the UK will continue to be an attractive place to do business while allowing the government to take action to address the most important challenges businesses face and increase funding for infrastructure and vital public services.

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Structure & Buildings Allowances (SBAs)

As announced in their manifesto, the Chancellor confirmed the increase in the annual rate of the SBAs to 3% - which the government has assessed will provide over £1bn in additional relief for businesses by the end of 2024-25.

Research & Development

A whole host of measures are to be introduced to incentivise spending on R&D, this will unlock new investment and further enhance the international competitiveness of the UK tax system. The Budget also announces reforms to the intangible fixed assets regime to reinforce the attractiveness of the UK as a place for businesses to own and manage intellectual property, a review of the UK funds regime, as well as an industry working group on the future of VAT and financial services.

Furthermore, the government will increase Research & Development Expenditure Credit from 12% to 13%. The government will also consult on whether qualifying R&D tax credit costs should include investments in data and cloud computing.

Lastly various programs and funds to encourage sector specific R&D in areas such as digital, defence, environment and decarbonisation.

Business Rates

The Budget confirms that the government will increase from one third to 50% the business rates retail discount for properties with a rateable value below £51,000 in England - including shops, pubs, cinemas, and music venues in England by increasing and expanding the business rates discount for retail properties, introducing a new pubs discount, and extending the local newspaper discount.

Tax Abuse

Budget announces a set of targeted measures to ensure that businesses pay the tax they owe, ensuring fairness for everyone. This includes measures to crack down on tax abuse in the construction industry, illicit tobacco, and among big business, as well as measures to tackle the promoters of tax avoidance schemes.

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Electric Vehicles

Access to high quality, convenient charging infrastructure is critical for drivers to make the switch to electric vehicles confidently. The government is therefore providing £500m over the next five years to support the rollout of a fast-charging network for electric vehicles; ensuring that drivers will never be further than 30 miles from a rapid charging station. This will include a Rapid Charging Fund to help businesses with the cost of connecting fast charge points to the electricity grid. To target spending from this fund effectively, the Office for Low Emission Vehicles will complete a comprehensive electric vehicle charging infrastructure review.

These measure complement the existing 100% 'First Year' capital allowances for electric vehicle charging points available until March 2023.

Red Diesel

The government will also remove the entitlement to use red diesel from April 2022, except in agriculture, fish farming, rail and for non-commercial heating (including domestic heating).

Building Safety Fund

Following the Grenfell tragedy, one of the government's most important objectives is to ensure residents feel safe and secure in their home. Having taken expert advice, the Budget confirms an additional £1bn to remove unsafe cladding from residential buildings above 18m to ensure people feel safe in their homes.

Scottish Food & Drink

The GREAT Britain and Northern Ireland campaign will fund a £1m campaign to promote the Scottish food and drink sector. This will include additional trade promotion to increase awareness and change perceptions of Scottish food and drink exports, including Scotch whisky.

Further support for the whisky industry - included the government freezing spirits duty for this year and also allocating £10m for R&D spending to help decarbonise UK distilleries, including the whisky sector

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Corporate capital loss restriction

As announced at Budget 2018, from 1 April 2020, the government will restrict the proportion of annual capital gains that can be relieved by brought-forward capital losses to 50%. This measure includes an allowance that gives companies unrestricted use of up to £5m capital or income losses each year, meaning that 99% of companies will be unaffected. Following consultation on the detailed design of the rules, the government will also exclude certain companies in liquidation from the scope of the restriction.

Non-UK resident Stamp Duty Land Tax (SDLT)

The government will introduce a 2% SDLT surcharge on non-UK residents purchasing residential property in England and Northern Ireland from 1 April 2021. This will help to control house price inflation and to support UK residents to get onto and move up the housing ladder. The money raised from the surcharge will be used to help address rough sleeping.

Housing co-operatives

Annual Tax on Enveloped Dwellings (ATED) and Stamp Duty Land Tax (SDLT) - To make the taxation of housing co-operatives fairer, the government will introduce a relief for qualifying housing co-operatives from the ATED and the 15% flat rates of SDLT on purchases of dwellings over £500,000. The SDLT relief in England and Northern Ireland will take effect from Autumn Budget 2020 and the UK-wide ATED relief from 1 April 2021 with a refund available for 2020-21.

Aggregates Levy

The government will freeze the Aggregates Levy rate in 2020-21 and will be publishing a summary of responses and government next steps to last year's comprehensive review of the levy.

In short there were many announcements committing the government to significant investment which should, if they all come to fruition, improve many issues facing UK businesses and particularly across the built environment and property, construction & infrastructure sectors.

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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 healthcheck@e3consulting.co.uk. E3 Consulting provides specialist property tax advice to owners, investors and occupiers of UK real estate from offices in Southampton and London advising on Capital Allowances, Land Remediation Relief, VAT, Repairs and Maintenance and Community Infrastructure Levy (CIL). Please see our website or twitter to keep up to date with views and technical updates on property tax matters.

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