

FREPORTS OFFER NEW TAX INCENTIVES

Capital Allowances



FREPORTS OFFER NEW TAX INCENTIVES TO BUSINESSES AND INVESTORS



The government is working on a radical plan to boost growth in ten deprived areas of the UK by designating them as freeports. This status would allow them to benefit from an advantageous tax regime designed to stimulate economic activity and attract inward investment. The move is part of a broader policy to re-establish the country as a player in international trade following its departure from the EU.

WHAT IS A FREEPORT?

Despite the name, freeports don't need to be in maritime locations, they are simply secure customs zones where unique tax and local regulations apply. Goods can be imported and exported without attracting customs duties. The idea is to encourage businesses that import goods, process them and export them again. Freeports reduce tariff controls and the administrative burden for businesses, but they also provide relief from duties and import taxes, in addition to easing tax and planning regulations.

POLICY OBJECTIVES

Like Enterprise Zones, the government's objective for freeports is the establishment of hubs for global trade and investment across the UK that will stimulate regeneration and job creation, and, at the same time foster innovation and creativity.

BROADER TAX INCENTIVES

Beyond the direct support for import and export activities, freeports will likely become special economic areas where a broader range of general tax relief will be available for businesses. Those measures will include the following;



Capital allowances

i. Enhanced capital allowances

Companies in freeport zones which invest in qualifying plant and machinery will be able to offset the cost against any taxable profits in the first year. That gives them an immediate increase in post-tax profit as well as helping improve cash-flow.

The new scheme is expected to run from 1 October 2021 for a five-year period. Full details haven't been announced yet, but we expect this to be welcomed by business leaders. With the abolition of the original enhanced capital allowances scheme from 1 April, it provides a replacement in freeports and an added incentive for businesses to invest.



ii. Enhanced structures and buildings allowances

Capital spent on renovating non-residential buildings and structures will attract an annual 10% relief against taxable profits spread over ten years. This is much better than the relief currently available nationwide, which is set at 3% p.a. over thirty three and a third years.

The new relief will be available on defined expenditure, providing building contracts are signed and the qualifying assets are brought into use between 1 April 2021 and 30 September 2026.



Employer National Insurance contributions rates relief

Freeport employers won't have to pay any employer NI contributions on their staff salaries, provided these employees spend 60% or more of their working hours in the freeport.



Business rates relief

Up to 100% relief on business rates will be available on certain business premises in freeports. Local authorities will be given the power to set the details of this scheme in their own freeports.

CONCLUSION

Freeports will be a real opportunity to spur economic investment and drive the regeneration of economically challenged parts of the UK. The added property and employment tax incentives will likely attract investors and businesses who might otherwise have overlooked these less attractive parts of the UK.

For advice on these complex areas of tax our Capital Allowances and Business Rates team can help prepare and optimise claims for you, as well as ensuring you always get the best advantage from the legislation, even when it changes. Please do get in touch if you'd like to know more.



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