



## The October Pre Budget Report – Anything of significance?

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A couple of weeks have passed since the 'new' Chancellor, Alistair Darling, presented his first Pre Budget Report. The hot topic this time was the reform planned for the treatment of Capital Gains Tax for individuals, trustees and personal representatives. Taper relief and indexation allowance are to be withdrawn and from 6 April 2008 there will be a new single rate of charge to capital gains tax at 18%. In essence, this change means an 80% increase in the rate of tax on the disposal of shares in your family business and personally owned business assets, including commercial property used in the owners trade or business, which under the current regime commonly attract a rate on disposal of 10% assuming certain conditions are met.

One welcome announcement was that the widely criticized Planning-gain Supplement (PGS) will be replaced with a Statutory Planning Charge. Notable also was the lack of clear policy direction in respect of incentives targeted at brownfield development which was disappointing. This topic is still the subject of ongoing consultation but it is worth reiterating some of the issues that will be up for consideration in the coming months:

### Brownfield Incentives

The main changes affecting developers of brownfield sites relate to modifications to the Landfill Tax Exemption and Land Remediation Relief (LRR) regimes. There is also the possibility of tax incentives to encourage the redevelopment of long term derelict sites. The key points arising from the consultation to date are:

- Landfill Tax Exemption is likely to be withdrawn. This is likely to increase significantly the cost of remediating sites where dig and dump is the recommended strategy.
- Landfill Tax rates are set to reach £48/tonne by 2010, the potential viability of dig and dump sites could be severely threatened. It is expected that some grandfathering arrangements will be introduced to allow for phased withdrawal.
- An additional LRR entitlement condition linked to planning may be introduced.
- It is likely to be confirmed that Japanese Knotweed treatment and removal costs will qualify for LRR.
- Initial proposals to advance the timing of the tax deduction for land remediation expenditure for developers from the year end in which land is sold, to the year end of expenditure look unlikely to be introduced as such a change would run contrary to current accounting treatment.
- A new broader tax relief similar in nature to the existing LRR legislation may be introduced to encourage expenditure on bringing derelict sites back into use. Sites registered on the National Land Use Database are likely to qualify, as are sites which have been substantially derelict since March 1998. Details of the relief have not yet been determined, but qualifying sites are likely to enjoy 150 % tax relief across a broader range of expenditure beyond remediation costs.

We will now need to wait for the promised consultation feedback to find out whether the Government will support their supposed commitment to increasing the supply of housing over the next ten years by giving developers genuine tangible incentives to develop brownfield sites.

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