

## Insights

# IMPACT OF THE UK'S AUTUMN STATEMENT 2023 ON REAL ESTATE

Nov 22, 2023

In contrast to recent years, when there has been plenty for real estate tax lawyers to feast on, this Autumn Statement was fairly quiet.

## FULL EXPENSING

After a prolonged period of time-limited, enhanced reliefs, the Chancellor's decision to put full expensing on a permanent footing will no doubt provide much-needed certainty for industry. This is critical to attracting long-term investment for the UK.

Full expensing is available on new plant and machinery and is available at 100% (i.e. a full tax deduction for the expense in the year of expense) for qualifying expenditure that would otherwise qualify for capital allowances at the 18% rate and at 50% (i.e. tax deduction of half the expense in the year of expense) for qualifying expenditure that would otherwise qualify for the 6% rate. The remaining 50% is then eligible for the usual 6% rate of allowances after the first year.

In addition, the Government is going to consult on wider changes to further simplify the UK's capital allowances legislation.

## CONSTRUCTION INDUSTRY SCHEME – LANDLORDS' CONTRIBUTIONS TO TENANTS

It is good to see that the majority of payments made by landlords to tenants will be removed from the construction industry scheme from 6 April 2024 by the Government simplifying the criteria for such payments to be exempted. There is uncertainty about how the current rules should operate and some cautious landlords are currently applying the scheme when in doubt, with the result that a tenant needs to obtain a gross payment certificate or suffer a cashflow hit from a withholding. Therefore, this move should smooth the path for payments to be made more easily by landlords to tenants.

## INVESTMENT ZONES

Sensibly, the Chancellor has decided to extend some tax reliefs for investment zones from five years to ten years to make investment in the areas more attractive and to deal with the risk of a cliff edge effect under the existing rules.

Tax incentives for investment zones include 100% stamp duty land tax relief, an enhanced 10% structures and buildings allowance, a 100% first-year allowance for plant and machinery, employer NICs relief and 100% business rates relief, where conditions for the reliefs are met.

The Chancellor announced the location of further investment zones to add to those in South Yorkshire, Liverpool and West Yorkshire. The additional investment zones will be in Greater Manchester, West Midlands, East Midlands, together with two in Wales.

## **BUSINESS RATES**

After some lobbying, hospitality received some good news in the Autumn Statement. The current business rates 75% relief for eligible retail, hospitality and leisure properties is being extended for 2024-25. This means that around 230,000 properties in England will be eligible to receive support up to a cash cap of £110,000 per business. Further good news on business rates for small businesses is that the small business multiplier in England will be frozen for a fourth consecutive year. Some larger businesses may point to the unequal treatment with smaller businesses.

## **REITS**

The Chancellor confirmed that he would press ahead with changes that were proposed in July to the REIT rules (see [REIT reform in the UK – further modernisation | Bryan Cave Leighton Paisner \(bclplaw.com\)](#) for more details). In addition, he announced a couple of additional changes to this reform package. Namely, including a widely held CoACS as an institutional investor that allows a REIT to be closely held and reducing the types of investor that can trigger a holders of excessive rights charge when they hold at least a 10% interest in the REIT.

## **HOWEVER, SILENCE IN A COUPLE OF AREAS WAS ALSO INTERESTING**

### **STAMP DUTY**

Despite some speculation in the press in the weeks running up to the Autumn Statement, there was no news on stamp duty cuts or even the mooted green stamp duty rebate for homeowners who invest in energy-efficient renovations shortly after buying their property. This is a missed opportunity. Hopefully, the Chancellor returns to this at the Budget in the Spring.

### **RESERVED INVESTOR FUND**

Some in the funds industry will be disappointed that the Chancellor did not approve at this stage a new tax transparent unauthorised vehicle, the reserved investor fund. The Government consulted

on the new fund earlier this year. It seems we will have to wait longer for the outcome of the consultation.

Industry has been hoping that it would provide a vehicle to hold UK real estate onshore for investors who no longer want to go offshore.

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## MEET THE TEAM



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