

ICAEW KNOW-HOW  
TAX FACULTY



## *Freeports – will they deliver?*

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1

## *Presenters*



Frank Haskew  
Head of Tax  
ICAEW Tax Faculty



Richard Jones  
Technical Manager  
Business Tax  
ICAEW

2

## *Ask a question*

The screenshot shows a Q&A window with the following content:

<b>You asked:</b> What happens when I raise my hand?	18:03
<b>Molly Parker answered:</b> I can take you off of mute.	18:04

Below the table is a large empty text area for input. At the bottom, there is a prompt "Please input your question" and a checkbox labeled "Send Anonymously" next to a blue "Send" button.

### **To ask a question**

Click on the **Q&A** button in the bottom toolbar to open the submit question prompt.

Type in your question and click **send**.

Note. If you wish to ask your question anonymously check the **send anonymously** box shown on the illustration to the left.

3

## ***Freeports – will they deliver?***

- History of Freeports
- UK Freeports 2021 - Timeline
- Location of 2021 Freeports
- Customs Benefits
- Tax incentives
- Areas of risk
- Things for businesses to consider
- What's next?

4

## ***What are Freeports?***

- What are they?
  - Secure customs zones located at air or sea ports
  - Special customs rules apply
  - Encourage certain business activity in the local area
  - Current generation of UK freeports also offer tax incentives and reduced planning regulations

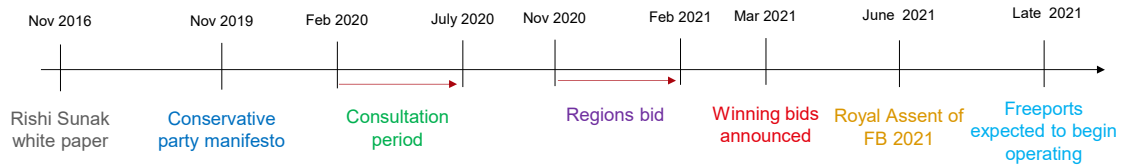
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## ***History of Freeports -examples***

- First known example was Delos in Greece in 166BC
- Bespoke Special Economic Zones (SEZ):
  - EU –Barcelona, Bremerhaven, Copenhagen & Shannon
  - US - 230 foreign-trade zone projects and nearly 400 subzones
- UK experiment in 1980s to combat de-industrialisation had limited success

6

## UK Freeports 2021 - Timeline



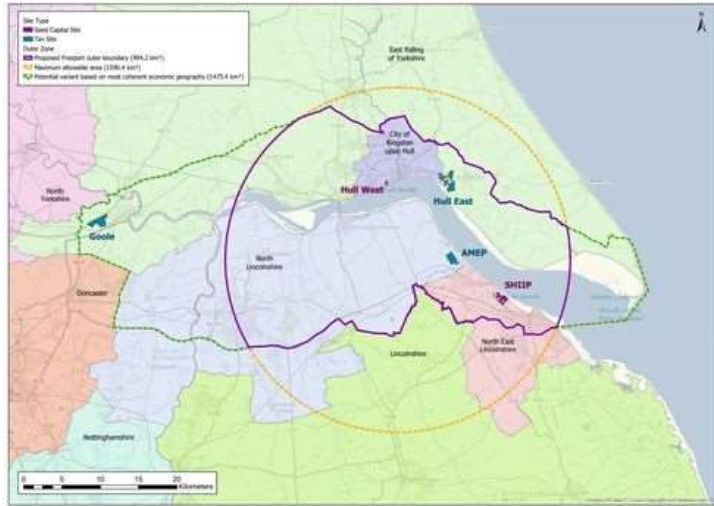
7

## Location of 2021 Freeports

Location	Port(s)
Thames	<a href="#">London Gateway</a> , <a href="#">Port of Tilbury</a>
Freeport East	<a href="#">Port of Felixstowe</a> , <a href="#">Harwich International Port</a>
Liverpool	<a href="#">Liverpool Waters</a> , <a href="#">Wirral Waters</a>
Humber	<a href="#">Port of Immingham</a> , <a href="#">Port of Hull</a> , <a href="#">Port of Grimsby</a> , <a href="#">Goole</a>
Teesside	<a href="#">Teesport</a> , <a href="#">Hartlepool</a> , <a href="#">Teesside Airport</a>
Solent	<a href="#">Port of Southampton</a> , <a href="#">Southampton Airport</a>
East Midlands	<a href="#">East Midlands Airport</a>
Plymouth	<a href="#">Devonport</a>

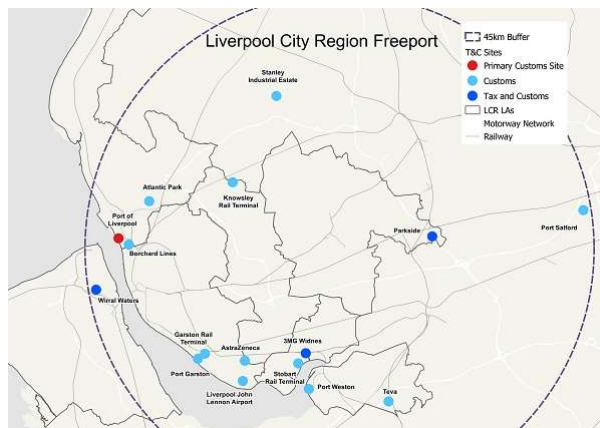
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## Map of Humber Freeport



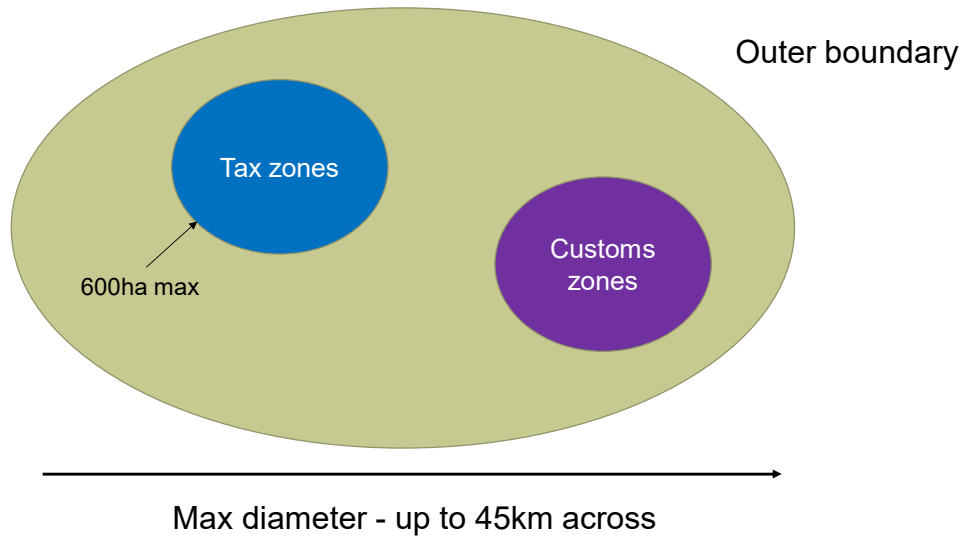
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## Map of Liverpool Freeport



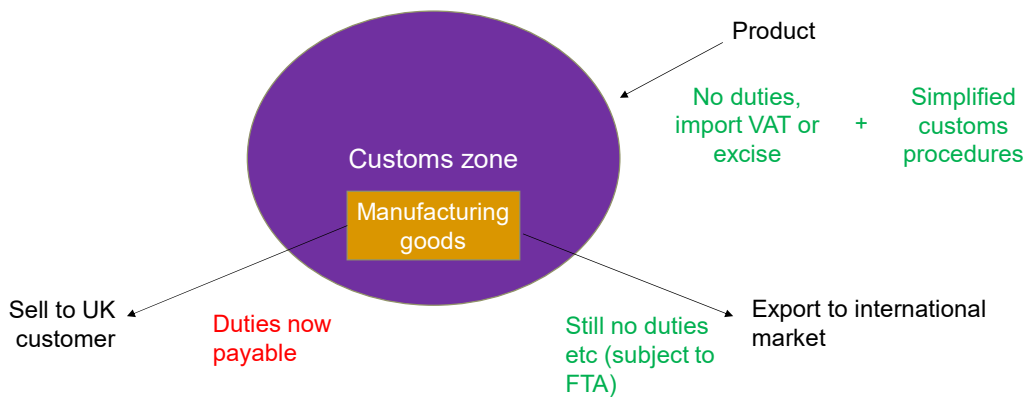
10

## Customs zones and tax zones



11

## Freeport Customs benefits



12

## ***Incentives in a Freeport tax site***

- Five potentially valuable reliefs on offer
- Four reliefs available **until 30 September 2026**
  - 100% capital allowances for plant & machinery investment
  - Enhanced 10% structures and buildings allowance
  - Full business rates relief
  - 100% stamp duty land tax relief
- Plus from April 2022
  - Relief (capped) on employer national insurance contributions (NICs)

13

## ***Freeport Tax Legislation finder***

### **Customs duties**

#### ***Customs and Excise Management Act 1979***

- S 100A – Designation of free zones
  - Inserted by FA 1984
  - Free Zone Regulations 1984 (as amended) – SI 1984/1177.

### **Tax sites**

#### ***Finance Act 2021 – Royal Assent 10 June 2021***

- S 113 – Designation of Freeport tax sites
- S 114 & Sch 22 – Capital allowances for Freeport tax sites
- S 115 & Sch 23 – Relief from stamp duty land tax for Freeport tax sites

#### ***National Insurance Contributions Bill 2021***

- Cls 1 to 5 – Secondary Class 1 NIC at Freeport tax sites
- Currently at Report stage – due to take place 6 September 2021

14

## ***Plant & machinery allowances***

- Eligibility found in Part 1, Sch 22 FA 2021
- Treasury has the power to amend these rules by regulations
- 100% first year allowance for assets primarily used in Freeport tax sites
- Applies to main (usually 18% WDA) and special rate assets (usually 6% respectively) – compare with the ‘Super Deduction’
- Conditions need to be met

15

## ***Plant & machinery allowances 2***

- To claim the FYA, five conditions must be met
  - A - The plant or machinery is **for use primarily** in an area which, at the time the expenditure is incurred, is a Freeport tax site.
  - B - The plant or machinery is unused and is not second-hand.
  - C - The expenditure is incurred for the purposes of a qualifying activity – effectively a trade.
  - D - The expenditure is incurred on or before 30 September 2026.
  - E - The **company** is within the charge to corporation tax.
- There is a “mini-TAAR” in S 45Q for assets partly used outside the zone.
- S 45R - Five year claw back period – if assets become primarily used outside tax site in that time then the FYA is treated as withdrawn.

16



## ***Structures & buildings allowances***

- Detail found in Part 2, Sch 22 FA 2021
- Power by regulations to amend the rules
- Construction or renovation of non-residential structures and buildings in a designated tax zone
- 10% rate allowance means cost fully deducted for tax purposes over 10 years, compared to normal 3% rate
- Must be brought into commercial use by 30 September 2026
- Unlike FYAs, the 10% rate allowance is available to companies and unincorporated businesses

17

## ***Structures & buildings allowances 2***

- Five conditions to be met
  - A Construction begins when the area is situated is a freeport tax site.
  - B Building or structure is first brought into use  
at a time when the building or structure is in a freeport tax site, and  
on or before 30 September 2026.
  - C qualifying expenditure is incurred  
at a time when the building or structure is situated is a freeport tax site, and  
on or before 30 September 2026.
  - D Person who incurs the qualifying expenditure is within the charge to income tax or corporation tax
  - E Makes a claim for expenditure to be freeport qualifying expenditure.
- If only part of the structure is in the tax zone, apportionment on a just and reasonable basis

18

## ***Business rates relief***

- 100% relief for businesses relocating to or starting up in a tax site
- Available from 1 October 2021 for five years from date business first receives relief (if before 30 September 2026)
- Partial relief will be available for existing business in tax site expanding into new premises etc
- Three other possible planning easements:
  - Relaxation of existing permitted development rights
  - Greater use of Local Development Orders
  - Possible revision to the National Policy statement for Ports

19

## ***Stamp Duty Land Tax relief***

- Eligibility found in Sch 23, FB 2021, inserting s 61A and Sch 6C into FA 2003
- 100% SDLT relief where consideration at least 90% attributable to land within tax site
- Pro-rata relief where 10% - 90% is so attributable
- Must use land in qualifying manner
- Relief withdrawn if land not used in a qualifying manner in a three year 'control' period.

20

## ***Employer NICs relief***

- See ss 1 to 5 National Insurance Contributions Bill 2021
- 0% employer's NIC on salaries of new employees for:
  - businesses operating in tax site in respect of
  - employees spending at least 60% of their working hours in tax site
- Up to three years' relief per employee on salaries up to £25k pa threshold
- Available for employees starting on or after 6 April 2022 and up to at least April 2026 (possible extension to 2031)
- Employees must not have worked for employer for at least two years before starting.

21

## ***Areas of risk***

- Various concerns about the efficacy of freeports have been raised:
  - See International Trade Committee [report](#) dated 20 April 2021
  - Port security & safety
  - Economic displacement – particularly in deprived areas
- Concerns over tax evasion and/or money laundering
  - Will they be a fiscal wild west?
- Compliance with WTO/FTA/state aid rules etc
  - Need to consider interaction with FTAs etc especially where re-exporting goods out which benefited from reliefs?

22

## ***Things for businesses to consider***

- Do local tax zones have the infrastructure and location they need?
- Does the local area have a qualified and suitable workforce?
- Where do they need to import their raw materials etc from?
- Review of supply chains and associated tariffs etc
- Do they have markets in place suitable to export from their local customs zones?

23

## ***What next?***

- September 2021 – expected Royal Assent to the National Insurance Contributions Bill
- What further legislation are we expecting?
  - Customs site designations
  - Tax sites designations
- When will Freeports in England start operating?
- Freeports in the devolved nations?
  - Wales
  - Greenports in Scotland?
  - Will NI Freeports be allowed under NI protocol?

24



25

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26

## ***Future webinars and events***

- 26 Aug – Patent Box
- 14 Sep – MTD for ITSA – back to basics and myth busting

For further details visit [www.icaew.com/taxwebinars](http://www.icaew.com/taxwebinars)

27



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28