Is government plan going to boost economic growth?

Wednesday 12 October, 2022

It is no secret that this government's focus is on increasing economic growth. A major project for them seems to be doing so by creating Investment Zones across England. These Investment Zones will cover areas where businesses could benefit from a whole of tax incentives – from stamp duty to business rates – for up to ten years. 7

In the original announcement – the rather controversial fiscal statement – it was said that up to forty areas across England had already been identified as prime locations for these Investment Zones. Now, the government is opening applications
for other local councils to express their interest in hosting one of these zones. Of course, there are a whole host of requirements local councils need to meet.

The eligibility criteria for these Investment Zones were not published until ten days after the mini budget; leaving many experts wondering, in the initial confusion, as to just what impact they could actually deliver. Most of it is standard criteria councils must evidentially meet; demonstrable value for money, support of regeneration in certain areas, and minimised displacement, to name a few. Perhaps what might make councils a little leery of applying however, is that the number of zones is also dependent on the overall fiscal cost. A cost, that has not been defined. Meaning, potentially, that the promised number of Investment Zones, may be much, much lower.

What tax incentives are offered?

While implementing Investment Zones across the UK certainly seems to be a way forward to advancing economic growth, the information on the tax incentives available seems to be wide and varied. Mostly, they appear to be good news for businesses.

The fiscal statement touched on employment taxes being slashed, and even a 100% tax relief on plants and machinery. For those waiting on the announced business rates hike however, it was a bit disappointing. For new businesses in these designated Investment Zones, they would receive 100% relief on business rates, and existing businesses in these areas would also qualify if they expand within the zone.

This seems like a very generous offer, and for those who are looking to open up a business, then yes, it could work out quite well. However, with the current economic climate as it is, a lot of businesses will not be able to expand. Focused as they are on simply making it through the winter. For the businesses that are able to expand or move their base of operations to be able to benefit, most of these will not be struggling with rising overheads as much as small and medium businesses (SME's).

"For a cost that is typically the third or fourth highest for any business," Anthony Hughes of the business rates reduction specialists RVA Surveyors commented, "this help is relatively minor. No business is going to go through the incredible cost of moving and setting up new premises, just to potentially get a moderately lower tax elsewhere. And more specifically, those that can afford it, are not the ones in immediate need of help. Business owners and leaders of small and medium sized companies need to know what the government is going to do to help right now and going forward. We have said it before, and we will continue to say it, the government need to clear a pathway to a workable solution for these businesses."

Various reliefs, all with a wide-ranging set of eligibility criteria, are in place to support SME's. However, in the current financial and trading climate, these reliefs don't go far enough for many businesses. Several of which, are ending soon.

So, while the inclusion of a business rates tax relief certainly may be helpful, it is not designed for those in need.

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