

CGMS: 2006 BUDGET NEWSFLASH

The Chancellor's 2006 Budget still keeps very much alive the prospect of the introduction of a tax on the uplift in value of land once planning permission is granted. This has serious implications for all developers, investors and occupiers because the cost of obtaining planning permission will increase.

Our view of the Chancellor's intentions are as follows:

1. Planning Gain Supplement

The Chancellor's proposed tax – known as the “Planning Gain Supplement” could be introduced by 2007/8 and although the rate has yet to be decided, it could be in the order of 20% on the uplift in land value on the grant of planning permission.

The proceeds will then be used to help finance the local council's own expenditure on their “infrastructure” priorities or indeed anything else that the Council considers necessary to implement their own community objectives.

2. Planning Impact Fees

Applicants for planning permission will also have to pay for works that are directly necessary to mitigate the identified impacts of their development – for example, a major residential scheme might need to provide new roads, additional school places and health facilities as a direct result of the development. This will continue to form the main part of a “Section 106 obligation.”

3. Provision of Affordable Housing

Applicants are also going to have to provide affordable housing on site, or if not feasible, a financial contribution for the provision of affordable housing off site. This is a necessary requirement because it is now most Council's adopted development planning policy; moreover increasingly this affordable housing requirement is not just applying to only residential developments over 15 units - but to all types of development.

What should I do?

These three related “taxes” will have to be negotiated in a legal agreement between the applicant and the Local Planning Authority, known as a “Section 106 agreement,” which is binding upon successors in title.

CgMs can advise you on these critical planning negotiations to ensure that your scheme remains commercially viable. If you want to know more, please see our web site at www.cgms.co.uk and also contact either:

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