



Green Issues and Tax

Introduction

The Government is committed to tackling green issues and has chosen to use a mixture of tax measures to influence the decision making of businesses and consumers. The issues range from the reduction of emissions, particularly of greenhouse gasses, to the redevelopment of urban housing. The following are the main areas where tax in its widest form is being used to bring about the changes in behaviour that the Government identify as being beneficial to the environment.



Urban Regeneration

The urban regeneration programme is worth more than £1 billion over five years and contains the following main elements.



- Stamp duty exemption in the most disadvantaged areas. This is designed to encourage people and businesses to move into these areas and thereby revive the local economy and infrastructure.
- Stamp Duty exemption for zero carbon homes including flats costing less than £500,000 and for those costing more than £500,000, a reduction of £15,000 to the Stamp Duty bill. This relief only applies until 30th Sept 2012.
- Tax credit relief for contaminated land. This is a tax relief worth 150% of the cost of cleaning up land that has been contaminated by past use.
- Capital allowances at 100% for the cost of providing flats above commercial premises, which is hoped will bring new life to Britains high streets.
- Enhanced Capital Allowances (or ECAs) are available for companies investing in plant in certain green technologies. Giving a 100% write-off against taxable profits. Losses resulting from ECA claims can be surrendered for Government cash, equal to 19% of the surrendered loss, subject to a cap which is the higher of £250,000 or the PAYE/NIC paid by the company in the year of claim.
- 5% VAT rate on conversion of property to multiple dwellings, homes of multiple occupation and renovation of housing which has been empty for three years. However there are some limitations on this relief particularly for renovation of single homes which will have to be done by the owner occupier and not a commercial developer if it takes more than one year.
- Zero rating for VAT on the sale of domestic property which has been renovated after standing empty for more than 10 years. This will give developers who renovate existing property the same VAT advantages as those who build new homes.

Recycling and Waste Minimisation

Various measures are being used to encourage the recycling of materials and reduction in waste.

- Landfill tax was increased to £56 per tonne from April 2011 as part of a programme of waste minimisation begun in 1999.
- An aggregates levy originally introduced in 2002 will increase from £2.00 per tonne to £2.10 per tonne from April 2012. This will reflect the environmental costs of the extraction of aggregates with a view to establishing an aggregates sustainability fund to improve environments affected by quarrying.
- Although not strictly a tax measure, the *Producer Responsibility Obligations (Packaging Waste) Regulations* impose obligations on larger businesses handling packaging materials to make a contribution to the disposal of waste in an environmentally friendly way.
- The Government is also challenging the waste industry to use the landfill tax credits in sustainable waste management programmes.



Road Transport Measures

The Government is encouraging the use of cleaner vehicles in respect of both private cars, company cars and the haulage industry.

- From 1 April 2008, a 100% deduction is available for the purchase cost of low emission cars - those with CO2 emissions of 110g/km or less.
- Taxable benefits for “perk cars” are now based on CO2 emissions. The benefit is calculated by multiplying a fixed percentage (determined by the CO2 emissions figure and the list price of the vehicle). A reduced rate of 10% applies to cars with CO2 emissions of 120g/km or less, 5% for cars with CO2 emissions of less than 75g/km and a 0% rate for cars with zero CO2 emissions.
- The rate of tax relief in the form of capital allowances is determined by whether the vehicle has a CO2 emissions figure of 160g/km. From 1 April 2012 the rates will be 18% per annum for cars with CO2 emissions of 160g/km or less and 8% per annum for cars with higher emission figures.
- VAT fuel scale charges where an employer supplies fuel to an employee for private motoring are now calculated by reference to the CO2 emissions band for the vehicle concerned.
- The tax cost to an employee for fuel provided by an employer has been steadily rising over a number of years. It is now calculated by a percentage of £18,800 depending on the CO2 emissions. This percentage is between 15% and 35%. It is now often not beneficial for employees to have company fuel but to claim tax-free mileage allowances instead for business travel.

The Government is also trying to encourage the use of alternative means of transport to reduce the number of vehicles on the roads. The following measures have been introduced with this in mind.

- Zero rating for VAT of cycle helmets.
- Extending the zero rating on passenger transport to include vehicles carrying nine or more passengers.
- A similar measure exempts the provision of free works buses provided the vehicles used carry nine or more passengers. More than one employer can provide the bus.
- An employer can support a public bus service without giving rise to a charge to tax.
- A tax-free mileage allowance for cycling on business trips of 20p per mile.
- An additional allowance of 5p per mile per passenger on tax free car mileage rates where a passenger is taken on business trips, or where the passenger is a volunteer worker.

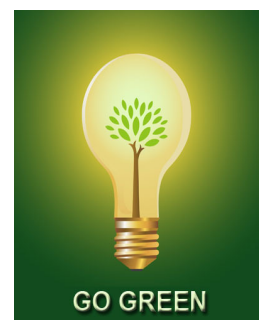


The Government is also looking to work with taxi companies and local authorities to explore ways of encouraging cleaner taxis in our major cities.

Energy Efficiency

The Government has introduced the following measures to help produce a more energy efficient economy.

- Climate change levy applies to operators of combined heat and power plant.
- Hydrocarbon oil duty reliefs are available in respect of certain research into alternative power sources.
- Up until 31 March 2013 there is a 100% first year allowance for qualifying expenditure incurred on natural gas, biogas and hydrogen refueling equipment
- Rates of hydrocarbon oil duty on ultra low sulphur diesel is much less than standard diesel.
- 100% capital allowances are available on certain energy efficient plant and machinery.
- A reduced VAT rate for ground source heat pumps and possibly for micro-combined heat and power units.



Further Information

Monahans can assist you in all aspects of Taxation. For further advice and assistance contact our **Senior Tax Manager Geoff Don** who will be pleased to help on **01225 472800** or e-mail **geoff.don@monahans.co.uk**