ACTIVE PRACTICE UPDATES

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KNOWLES WARWICK

INVESTMENT ZONES EXPLAINED

What are the Government's new plans?

In his first Spring Budget as Chancellor, Jeremy Hunt announced a number of 'investment zones' across the country.

The programme will provide 12 areas, split across England, Wales, Scotland and Northern Ireland, with £80 million in support and "put powers and money in the hands of communities that need it most".

As part of the Government's levelling up plans, these zones will drive business investment through "generous tax incentives" and bolster the UK's potential as a hub for innovation.

In his speech, Hunt set out the eligibility for zones that wish to be part of the scheme. He said:

"To be chosen, each area must identify a location where they can offer a bold and imaginative partnership between local government and a university or research institute in a way that catalyses new innovation clusters.

"If the application is successful, they will have access to £80 million of support for a range of interventions, including skills, infrastructure, tax reliefs and business rates retention."

The Government is using these investment zones to help deliver its mission from the levelling up white paper, which is "taking a holistic approach to ensure the benefits of growth and investment are felt by local communities".

The first goal (or mission one) is to ensure that pay, employment and productivity rises in every area of the UK by 2030, creating "globally competitive cities" and bridging the gap between top-performing and lesser-developed areas.

Mission two is to increase public investment in R&D outside the Greater South East by at least 40%, seeking to leverage at least twice as much private sector investment and drive productivity.

WHAT AREAS WILL BENEFIT?

The Chancellor has named the following eight potential areas for investment zones:

- West Midlands
- Greater Manchester
- the North-East
- South Yorkshire
- West Yorkshire
- East Midlands
- Teesside
- Liverpool.

Of the remaining four, at least one will be in Scotland, Northern Ireland and Wales.

The Government is now in conversation with 38 local authorities about the investment zone schemes, including the eight already identified.

WHICH SECTORS ARE BEING TARGETED?

Within these investment zones, the Government is targeting five priority sectors.

Digital and tech

With the UK having a world-leading technology sector (behind the US and China), the Government looks to replicate the success of tech companies in London, Oxford and Cambridge. Focusing on tech-led innovation will help leverage "digital strengths and untapped potential" nationwide.

Green industries

By creating long-term certainty and demand, the Government is looking to bring more environmentally-conscious businesses and development to the UK.

Life sciences

Aiming to make the NHS the country's most powerful driver of innovation, the Government looks to build on the UK's science and research capabilities and create a robust environment for life sciences firms.

Advanced manufacturing

The investment zone prospectus states, "the UK has a proud history in manufacturing" and that the Government hopes to harness the synergy between manufacturing and innovation. The core objective is to support jobs, drive productivity and deliver the UK's net zero commitments by investing in the manufacturing sector.

Creative industries

The Government wants to focus on creative businesses to "build on the sector strengths, support growth and ensure benefits of the creative industries are spread across the UK".

HOW WILL THEY WORK?

In principle, the investment zone scheme will work flexibly for the areas that receive the money. Chosen partners will be able to use tax relief and funding to boost their economy however they see fit.

Local authorities can use the £80m funding for a number of **fiscal incentives**, such as:

- Stamp duty land tax: full relief for land and buildings bought for commercial use or development for commercial purposes.
- Business rates: 100% relief for newly-occupied business premises and certain businesses expanding in the investment zone tax sites.
- Enhanced capital allowances: 100% first-year allowances for companies investing in plant and machinery assets.
- Enhanced structures and buildings allowance: accelerated relief to allow businesses to reduce their taxable profits by 10% of qualifying costs for non-residential investments per year.
- Employer National Insurance contribution (NIC) relief: zero-rate employer NICs on salaries of any new employees for at least 60% of their time, on earnings up to £25,000 per year for a period of 36 months per employee.

This funding can also apply across a range of "potential interventions" to attract investment and push growth in promising sectors. These include:

- Research and innovation: funding projects through R&D grants, loans and subsidies, which positively impact R&D expenditure and increase innovation.
- Skills: creating new apprenticeship opportunities and developing skill boot camps so communities can hone their skills.
- Local infrastructure: repurposing or purchasing land to build labs and commercial spaces, in turn, building the job market in these local areas.
- Local enterprise and business support: strengthening facilities and providing further support for start-ups and SMEs in the local areas.
- Planning and development: funding the recruitment of dedicated planning teams to deliver complex or large-scale developments.

WHEN WILL THE SCHEME BEGIN?

Previous Chancellor Kwasi Kwarteng delivered the first mention of the investment zone scheme in the divisive September 2022 mini-budget.

Since then, Chancellor Jeremy Hunt has championed the project, saying:

"I totally support the benefits that investment zones can bring, but we will implement that policy in a way that learns the lessons of when similar models have been tried in the past, and we will make sure they are successful."

The deadline for expressing interest in becoming part of the scheme ended in October 2022, with the Government aiming to start the rollout over the next two years.

Talk to us about your business.