

## Consultation on the abolition of 36 tax reliefs

Grant Thornton UK LLP (Grant Thornton) welcomes the opportunity to respond to HM Treasury's consultation on the abolition of 36 tax reliefs.

We have limited our comments to the reliefs that we consider should be retained and set out our comments below.

### **Relief 4 – Mineral Royalties**

The relief was introduced in 1970 when income tax rates were very high as the relief encouraged landowners to make their mineral assets available at that time. The current highest rate of income tax of 50% is lower than the rate when the relief was introduced, however it is still significantly higher than the current rate of capital gains tax (CGT) of 28%. The removal of this relief may discourage landowners from making their mineral assets available as the tax payable on the receipts received by them could rise significantly.

Furthermore, many of the contracts were negotiated many years ago on the understanding that the tax treatment would be 50:50 between income and capital and those contracts may have many years left to run. Had the parties to the agreement known that the tax treatment would change, they might have structured the deal to extract in a different way. It may be difficult and costly to renegotiate a deal now.

The Government has indicated that the 50% rate of income tax is temporary, but at present there is no indication of when it might be removed. However we would suggest retaining the relief at least until the 50% rate is removed as this would mean that the differential between the rates of the two taxes is reduced. Also, in order for the tax liability to increase gradually, a transitional approach should be adopted where the relief is phased out over a longer period of time.

The abolition of the relief may mean that landowners who are not currently in fixed deals are more willing to look at a sale or long lease of land with mineral rights. The downside of these options might be on the mineral extractor's side as they would no doubt add to the costs so may not be commercially viable.

### **Relief 32 – Land Remediation Relief**

The availability of this relief is a stimulus for companies to decontaminate and improve land. If the relief were abolished there would be a reduced incentive to build on and redevelop brownfield sites as the costs will increase. The consultation document assumes that development will take place regardless of the relief being available, however the cost of decontamination of a site may mean that the land may not be developed. Specific sectors, such as the property and house building sector, would be most affected by the abolition of this relief. At a time where these sectors in the economy are not particularly buoyant we would suggest that the relief remained, or at least its abolition delayed.

## **Contacts**

For any queries in respect of our comments in this document, please contact:

Francesca Lagerberg (email: [francesca.lagerberg@uk.gt.com](mailto:francesca.lagerberg@uk.gt.com))

### **Grant Thornton UK LLP**

Grant Thornton House

Melton Street

Euston Square

LONDON

NW1 2EP

Telephone: 020 7383 5100

Fax: 020 7383 4715



**[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)**

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