

**EXPLANATORY MEMORANDUM TO**  
**THE BUSINESS PREMISES RENOVATION ALLOWANCES (AMENDMENT)**  
**REGULATIONS 2014**

**2014 No. 1687**

**1.** This explanatory memorandum has been prepared by Her Majesty's Revenue & Customs and is laid before the House of Commons by Command of Her Majesty.

**2. Purpose of the instrument**

2.1 These regulations make a number of changes to the Business Premises Renovation Allowances Regulations to ensure they continue to comply with State aid rules, following the replacement of "Commission Regulation no800/2008 declaring certain categories of aid compatible with the internal market in the application of Articles 107 and 108 of the treaty", commonly called the "General Block Exemption Regulation (GBER)", with General Block Exemption Regulation no 651/2014.

2.2 This instrument:

- Updates the references to the GBER no 800/2008 to its 2104 replacement.
- Excludes from BPRA a number of additional trade activities: energy generation, distribution or infrastructure, broadband network development and transport.
- Updates the reference to the Assisted Areas Order 2007 to its 2014 replacement, to ensure that the additional areas included in that order can benefit from business premises renovation allowances ("BPRA").

**3. Matters of special interest to the Select Committee on Statutory Instruments**

None.

**4. Legislative Context**

4.1 These regulations are made under sections 360B(5), 360C(2)(a) and (3) and 360D(4) of the Capital Allowances Act 2001 (CAA).

4.2 BPRA is a regional State aid designed to comply with GBER 800/2008. These Regulations are required to formally amend the scheme to ensure that it continues to comply with the new GBER 651/2014. The new GBER takes effect from 1 July 2014 but in order to comply with our domestic legislative procedures the operative date for these amendments will be 22 July 2014. Although GBER 651/2014 is broadly similar to its predecessor there are some changes. In particular there are changes to the nature and range of business activities that are unable to benefit from regional State aid, which need to be reflected in the scheme.

## **5. Territorial Extent and Application**

This instrument applies to all of the United Kingdom.

## **6. European Convention on Human Rights**

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy background**

7.1 BPRA aims to increase private enterprise and employment in disadvantaged areas of the United Kingdom by bringing longer-term vacant business properties in those areas back into business use. It also aids regeneration by reducing pressure on green-field sites.

7.2 It does this by providing a 100 per cent capital allowance for the capital costs incurred of renovating, converting or repairing certain business property that has been empty for at least a year in any of the designated disadvantaged areas of the United Kingdom. A writing down allowance of 25 per cent on the straight line basis is also available, where the 100 per cent initial allowance is not claimed, or not claimed in full.

7.3 BPRA is a regional State aid and has been designed to comply with GBER no800/2008. This regulation exempts certain State aid measures from prior notification to the European Commission if certain conditions are met. As part of the State Aid Modernisation process the European Commission has revised the GBER and a new version was adopted on 17 June 2014.

7.4 The new GBER, reference number 651/2014, is designed to stimulate economic growth, job creation and other objectives of common interest. It also reduces the administrative burden for Member States and gives the beneficiaries of aid greater certainty. It also enables the Commission to concentrate on State aid measures which are most likely to distort competition in the Single Market.

7.5 Whilst similar to its predecessor the new GBER does contain a number of differences. Certain trade sectors were unable to receive regional aid under the old GBER. These sectors continue to be excluded and a number of additional sectors have been added. There are also a number of restrictions on the types of investments that can be made and some of the definitions have been clarified.

7.6 In addition State aid focused on certain regions is restricted to those areas that meet certain criteria. These areas are called “assisted areas” and are listed in the Assisted Areas Order 2007. The Commission has recently reviewed the UK’s assisted areas and a new assisted areas map has been agreed. This slightly increases the number of assisted areas in the UK. These are set out in the Assisted Areas Order 2014.

7.7 These above changes need to be reflected in the BPRA scheme to ensure continued State aid compliance. The changes that are being made are as follows.

- A number of trades are already excluded from BPRA, such as the steel, shipbuilding and agricultural production sectors. To comply with the GBER (i) energy generation, distribution and infrastructure, (ii) broadband network development and (iii) the transport sector also need to be excluded.
- The reference to the Assisted Areas Order 2007 will be updated to refer to the Assisted Areas Order 2014, which takes effect from 1 July 2014. This will ensure that the additional areas included in that order can benefit from BPRA.
- A number of definitions will be revised to refer to GBER 651/2014.

## **8. Consultation outcome**

8.1 A full public and open consultation exercise on the replacement GBER and its impact was carried out by the European Commission (the details of which can be found at [http://ec.europa.eu/competition/consultations/2013\\_consolidated\\_gber/index\\_en.html](http://ec.europa.eu/competition/consultations/2013_consolidated_gber/index_en.html)).

8.2 A Response to that consultation was made by the UK's permanent representation. In addition UK public authorities and trade bodies contributed to the review process.

## **9. Guidance**

All guidance will be updated as appropriate as part of the normal process of review.

## **10. Impact**

10.1 The impact on business, charities or voluntary bodies is considered negligible.

10.2 No impact on the public sector is foreseen.

10.3 A Tax Information and Note covering this instrument was published on 26 June 2014 and is available on the HMRC website at <https://www.gov.uk/government/publications/finance-bill-2014-report-stage>. It remains an accurate summary of the impacts that apply to this instrument.

## **11. Regulating small business**

BPRA applies to small business, in the same way as it does any other business.

## **12. Monitoring & review**

The take-up and annual cost of BPRA is regularly monitored through boxes on tax returns, and annual reports to the European Commission are also made because BPRA is a State aid.

### **13. Contact**

Nick Williams at HM Revenue & Customs (tel: 03000 585660; e-mail: [nicholas.williams@hmrc.gsi.gov.uk](mailto:nicholas.williams@hmrc.gsi.gov.uk)) can answer any queries about the instrument.