



Northern Ireland  
Assembly

## Research and Information Service Briefing Note

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# Tax Incentives for Enterprise Zones

## 1 Introduction

In order to encourage greater investment and create more jobs in particular locations, the Government announced in Budget 2011 that it would establish new Enterprise Zones with superfast broadband, lower taxes, and low levels of regulation and planning controls.

The main benefits of Enterprise Zones are summarised as follows:<sup>1</sup>

- A 100 per cent business rate discount worth up to £275,000 per business over a five year period
- All business rate growth generated by the zone for a period of at least 25 years will be retained by that area.
- Government help to develop radically simplified planning approaches for the zone using, for example, existing Local Development Order powers.
- Government support to ensure that superfast broadband is rolled out throughout the zone, achieved through guaranteeing the most supportive regulatory environment and, if necessary, public funding.
- The Government will offer 100 per cent enhanced capital allowances on plant and machinery investment made in designated areas, allowing companies in those areas to write it down against taxable profits.

## 2 Enterprise Areas/Zones in Scotland and Wales

Since Budget 2011, the proposed number of Enterprise Zones has been expanded (from the original 21 announced) to 24 across England, and the scheme has also been extended to Scotland and Wales.<sup>2</sup>

In January 2012 the Scottish Government announced that 14 sites were being proposed in four different Enterprise Areas.<sup>3</sup> The change in terminology, from Enterprise Zones to Enterprise Areas reflects the change in emphasis from designating specific sites for such status to instead designating particular growth sectors for such status. The four Enterprise Areas are: Life Sciences Enterprise Area; Low

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<sup>1</sup> Department for Communities and local Government, Enterprise Zone Prospectus, March 2011 - <http://www.communities.gov.uk/publications/localgovernment/enterprisezone>

<sup>2</sup> See House of Commons Library Standard Note SN05942 - <http://www.parliament.uk/briefing-papers/SN05942>

<sup>3</sup> Scottish Government - <http://www.scotland.gov.uk/Topics/Economy/EconomicStrategy/Enterprise-Areas>

Carbon/Renewables North Enterprise Area; Low Carbon/Renewables East Enterprise Area; and General Manufacturing and Growth Sectors Enterprise Area.

The Scottish Government has stated that the range of incentives which will be offered, either individually or in combination depending on site characteristics, includes business rate discounts, a streamlined approach to planning, Scottish Development International support to attract inward investment and integration with existing policies. Scottish Government officials have also been in discussion with HM Treasury regarding the scope to offer enhanced capital allowances, similar to those being offered to Enterprise Zones in England.

A similar approach to that taken in Scotland has been taken in Wales, where 7 new Enterprise Zones have been announced across four different sectors - financial and professional services; energy; advanced manufacturing; and aerospace.<sup>4</sup> The Welsh Government states that, "We aim to strengthen the competitiveness of the Welsh economy through Enterprise Zones – not just replicate the approach taken in England."

### 3 Tax Incentives

The tax incentives offered in Enterprise Zones may vary as there can potentially be some differences in the benefits offered in different zones, but they will include up to 100 per cent rates relief and/or 100 per cent first year allowances for companies investing in plant and machinery in designated assisted areas (for expenditure incurred between 1 April 2012 and 31 March 2017).<sup>5</sup>

As a separate measure to encourage investment, Budget 2012 announced that the Government would reduce the main rate of corporation tax by an additional 1 per cent from April 2012. The main rate therefore fell to 24 per cent in April 2012, and will fall to 23 per cent in April 2013 and to 22 per cent in April 2014.<sup>6</sup>

The Government expects this lower rate of corporation tax combined with the rates relief, capital allowances and other benefits on offer in Enterprise Zones to stimulate investment and job creation in targeted areas.

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<sup>4</sup> Welsh Government - <http://wales.gov.uk/topics/businessandeconomy/help/enterprisezones/?lang=en>

<sup>5</sup> For more information on capital allowances, see HM Treasury - [http://www.hm-treasury.gov.uk/d/capital\\_allowance\\_enterprise\\_zones.pdf](http://www.hm-treasury.gov.uk/d/capital_allowance_enterprise_zones.pdf)

<sup>6</sup> HM Revenue & Customs - <http://www.hmrc.gov.uk/budget2012/tiin-0672.htm>