EXPLANATORY MEMORANDUM TO

THE BUSINESS PREMISES RENOVATION ALLOWANCES REGULATIONS

2007 No. 945

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

2. **Description**

   The Regulations designate the areas where premises must be situated to qualify for Business Premises Renovation Allowances (BPRA) and provide that, where persons carrying on trades falling within certain trade sectors have the relevant interest in the premises, or use the premises for the purposes of their trade, BPRA will not be available for expenditure incurred on renovating those premises.

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

   None

4. **Legislative Background**

   The Regulations are made under sections 360C(2)(a) and (3) and 360D(4) in Part 3A of the Capital Allowances Act 2001 (c.2: "CAA 2001"). They are the first regulations to be made under those powers.

   Part 3A of CAA 2001 contains the provisions of the BPRA scheme and was inserted in CAA 2001 by paragraph 1 of Schedule 6 to the Finance Act 2005. BPRA will be available in respect of qualifying expenditure incurred on or after such day as the Treasury may appoint. The Government has announced that it will make an Appointed Day Order to the effect that BPRA will be available in relation to expenditure incurred on or after 11th April 2007.

5. Extent

   The instrument applies to 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

   BPRA is a scheme to provide 100 per cent capital allowances for certain capital costs of renovating business property that has been empty for at least a year, in any of the designated disadvantaged areas of the United Kingdom.

The policy purpose of BPRA is 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. BPRA is designed to contribute to the Government's wider regeneration objectives, by fostering physical and social regeneration within disadvantaged areas, and by reducing pressure on greenfield sites.

The BPRA legislation provides that the Treasury may designate an area as a "disadvantaged area" in regulations.

These Regulations are made in exercise of that power and designate Northern Ireland and the areas specified as development areas by the Assisted Areas Order 2007 (S.I. 2007/107) as the disadvantaged areas for the purposes of the BPRA scheme. S.I. 2007/17 defined the Assisted Areas of Great Britain between 2007 and 2013. Assisted Areas are those areas where regional investment aid can be granted in accordance with European Union (EU) legislation. Regional aid is used to promote the economic development of certain disadvantaged areas within the EU.

Commission Regulation (EC) No 1628/2006 on the Application of Articles 87 and 88 of the Treaty to national regional investment aid[1] provides that aid that meets all the requirements of that Regulation is exempted from the requirement to notify aid to the Commission. The purpose of this exemption is to simplify the treatment of aid which seeks to promote the economic development of the disadvantaged regions of the EU. However, certain trade sectors must be excluded from the aid for the national regional aid exemption to apply. The trade sectors concerned are: fisheries and aquaculture; shipbuilding; the coal industry; the steel industry; synthetic fibres; the primary production of certain agricultural products; and the manufacture and marketing of products which imitate or substitute for milk and milk products.

Given the facility of the EC block exemption, the Government has decided to amend BPRA, prior to its introduction, to bring the scheme within the exemption's terms , in order to secure quicker implementation and thereby precipitate BPRA's regenerative effects. These Regulations therefore also provide that, where the above listed trade sectors have the relevant interest in the premises, or use the premises, BPRA will not be available for the capital expenditure incurred on renovating those premises.

8. Impact

A full RIA for BPRA was published in March 2005 and can be found at

http://www.hmrc.gov.uk/ria/business-renovation.pdf.

9. Contact

Nick Williams at Her Majesty's Revenue and Customs Tel: 020 7147 2541 or e-mail: nicholas.williams@hmrc.gsi.gov.uk can answer any queries regarding the instrument.

[1] OJ No. L302, 1.11.2006, p.29.