EXPLANATORY MEMORANDUM TO

THE DESIGNATION OF SPECIAL TAX SITES (GLASGOW CITY REGION INVESTMENT ZONE) REGULATIONS 2026

2026 No. 92

1. Introduction

1.1 This Explanatory Memorandum has been prepared by His Majesty's Revenue and Customs (HMRC) and is laid before the House of Commons by Command of His Majesty.

2. Declaration

2.1 Dan Tomlinson, Exchequer Secretary to the Treasury, confirms that this Explanatory Memorandum meets the required standard.

2.2 Morris Graham, Deputy Director for Business, Assets and International at HMRC, confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Elizabeth Heron at HMRC can be contacted by email at the following address with any queries regarding the instrument: investmentzonesprogramme@hmrc.gov.uk.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 These Regulations designate those special tax sites within, or connected to, an investment zone (IZ) in which certain tax reliefs are available. An IZ for these purposes is an area identified as such in a document published by or with the consent of HM Treasury where special tax rules will apply. The tax reliefs available in special tax sites in Glasgow City Region IZ include a 10% enhanced rate of structures and buildings allowance, a 100% first year allowance for qualifying expenditure on plant and machinery, a zero-rate of secondary Class 1 National Insurance contributions (NICs) on earnings up to the upper secondary threshold (£25,000) for qualifying employments, business rates relief and Land and Buildings Transaction Tax (LBTT) relief on qualifying acquisitions of land. LBTT is administered by the Scottish Revenue Authority on behalf of the Scottish Government.

Where does the legislation extend to, and apply?

4.2 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom.

4.3 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom.

5. Policy Context

What is being done and why?

5.1 The IZ programme was announced in 2023. The Freeport and IZ programmes have been brought together from June 2025 under a shared umbrella, and these are now

known collectively as Industrial Strategy Zones. There are eight IZs in England, and the Government is committed to delivering two IZs each in Scotland and Wales and an enhanced IZ in Northern Ireland[1]. IZs will promote new investment in sectors that are vital to the national Industrial Strategy, creating highly skilled jobs in areas which have underperformed economically in the past.

5.2 Each IZ in Great Britain will be provided with a £160 million envelope over ten years which can be used flexibly between spending on interventions such as skills, research and development, local infrastructure dependent on local need, and a single tax offer of tax incentives, scalable based on the number of eligible sites.

5.3 The first two IZs in England were announced as South Yorkshire and the Liverpool City Region in July 2023. The IZs for Glasgow City Region and North East of Scotland were announced on 30 June 2023. In November 2023, further IZs across the UK were announced in Greater Manchester, West Yorkshire, West Midlands, East Midlands and Wales.

5.4 At Spring Budget 2024, details of how the IZs in Greater Manchester, Liverpool City Region, North East of England, South Yorkshire, West Midlands, and West Yorkshire will use the funding envelope available were announced. Funding and tax interventions where required went live in April 2024.

5.5 Legislation was included in the Finance Act 2021 for special tax site reliefs and the National Insurance Contributions Act 2022 for the special tax site NICs relief. The power contained within section 113 of the Finance Act 2021, as amended by section 331 of, and Schedule 23 to, the Finance (No. 2) Act 2023, enables special tax sites within, or connected to, freeports or IZs to be designated and recognised in law as geographical areas where businesses can benefit from the special tax site reliefs. This instrument designates the special tax sites in the Glasgow City Region IZ.

What was the previous policy, how is this different?

5.7 The areas that are designated as special tax sites by these Regulations were not previously able to benefit from the special tax site reliefs. These Regulations ensure that those reliefs are available to meet the policy objectives of encouraging development through investment and innovation.

6. Legislative and Legal Context

How has the law changed?

6.1 These Regulations are made under section 113 of the Finance Act 2021 as amended by section 331 of, and Schedule 23 to, the Finance (No. 2) Act 2023.

6.2 Schedule 22 to the Finance Act 2021 introduced new sections 45O to 45R into the Capital Allowances Act 2001 (CAA 2001) which provide for 100% first year allowances for companies incurring qualifying expenditure on plant and machinery for use primarily in a special tax site.

6.3 Schedule 22 to the Finance Act 2021 made amendments to Part 2A CAA 2001 including the introduction of new sections 270BNA to 270BNC, which provide for an enhanced 10% rate of structures and buildings allowances for persons incurring qualifying expenditure on structures and buildings situated in a special tax site.

[1] Policy Prospectus for Northern Ireland Enhanced Investment Zone: https://www.gov.uk/government/publications/northern-ireland-enhanced-investment-zone-policy-prospectus/northern-ireland-enhanced-investment-zone-policy-prospectus

6.4 Sections 1 to 4 of the National Insurance Contributions Act 2022 provide for a zero rate of secondary Class 1 NICs on earnings up to the IZ upper secondary threshold (£25,000), that employers based in a special tax site can apply to qualifying employments from April 2022.

6.5 The Government is not changing the legislation in relation to business rates reliefs. The Government will provide guidance to local authorities outlining eligibility criteria for relief. The Government will then reimburse local authorities that use their discretionary relief powers under section 47 of the Local Government Finance Act 1988 (as amended), to grant relief in line with that guidance.

6.6 These Regulations are required to designate those special tax sites in which expenditure may qualify for the reliefs and to state when those designations take effect.

Why was this approach taken to change the law?

6.7 It would also be possible to make this change via primary legislation, but on this occasion secondary legislation is the more proportionate and efficient approach.

7. Consultation

Summary of consultation outcome and methodology

7.1 Since the first freeport tax sites were designated in 2021, feedback from businesses and stakeholders in freeports has demonstrated the strength of this tax offer in attracting new investment into specific sites. As such, this tax offer was considered appropriate to support the objectives of IZs. The freeport package, including the tax offer was the subject of an extensive consultation process which ran from 10 February 2020 to 13 July 2020[2]. The Government received 364 responses from a mixture of port operators, business, local authorities, non-governmental organisations and others.

7.2 On 10 December 2025, a draft Scottish Statutory Instrument was laid before the Scottish Parliament. The draft Scottish Statutory Instrument provides for relief from LBTT for eligible transactions within an IZ designated tax site in Scotland.

7.3 These Regulations have not been subject to consultation. Consultation was not considered necessary as the special tax sites which are the subject of these Regulations were put forward by the relevant local authorities as part of their IZ proposals and have undergone a robust assessment against the Government's criteria set out in the Investment Zones technical document [3].

8. Applicable Guidance

8.1 Existing guidance is available for each of the special tax site reliefs. This includes guidance for the first-year allowance for plant and machinery[4], guidance for enhanced rate of structures and building allowance[5] and guidance for the zero-rate of secondary

[2] Freeports consultation outcome: https://www.gov.uk/government/consultations/freeports-consultation
[3] Investment Zones technical document: https://www.gov.uk/government/publications/investment-zones-technical-document/investment-zones-technical-document
[4] Guidance on enhanced capital allowances relief in special tax sites: https://www.gov.uk/guidance/check-if-you-can-claim-the-enhanced-capital-allowance-relief-in-freeport-tax-sites
[5] Guidance on enhanced structures and buildings allowance in special tax sites: https://www.gov.uk/guidance/check-if-you-can-claim-enhanced-structures-and-buildings-allowance-relief-in-freeport-tax-sites

Class 1 NICs[6] , Guidance for Land and Buildings Transaction Tax from the Scottish Government will be published in due course.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A Tax Information and Impact Note covering this instrument was published on 15 March 2023 alongside Spring Budget 2023[7]. It remains an accurate summary of the impacts that apply to this instrument.

Impact on businesses, charities and voluntary bodies

9.2 The impact on business, charities or voluntary bodies is that eligible businesses which operate in a special tax site will begin to be eligible for the special tax site reliefs.

9.3 The legislation does not have significant impact on small or micro businesses.

9.4 No specific action is proposed to minimise regulatory burdens on small businesses. The basis for the final decision on what action to assist small businesses is that relatively few small businesses will be affected by this legislation and those that will, benefit from the special tax site reliefs.

9.5 There is no, or no significant, impact on the public sector.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is through information collected from tax returns and through communications with the affected taxpayer population. Local authorities hosting IZs will also need to monitor and evaluate business activity in each IZ. This measure will be monitored and assessed alongside other measures in the Government's IZ package.

10.2 The instrument does not include a statutory review clause because it is exempt under section 28(3)(a) of the Small Business, Enterprise and Employment Act 2015 (provisions relating to tax).

[6] Guidance on NICs relief in special tax sites: https://www.gov.uk/guidance/check-if-you-can-claim-national-insurance-relief-in-freeport-tax-sites

[7] Tax Information and Impact Note on IZ special tax sites: https://www.gov.uk/government/publications/investment-zone-special-tax-sites/investment-zone-special-tax-sites-with-enhanced-tax-and-national-insurance-contributions-reliefs

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

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

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").