

These notes refer to the Planning-gain Supplement (Preparations) Act 2007 (c.2) which received Royal Assent on 20th March 2007

PLANNING-GAIN SUPPLEMENT (PREPARATIONS) ACT 2007

EXPLANATORY NOTES

BACKGROUND

3. The Planning-gain Supplement (Preparations) Act would enable the Commissioners for Her Majesty's Revenue and Customs, and the Secretary of State for Communities and Local Government (CLG) to incur preliminary expenditure for the purposes of facilitating the introduction of and designing business processes for a Planning-gain Supplement (PGS).
4. An independent review of housing supply ("the Barker Review") in March 2004 proposed that the "Government should use tax measures to extract some of the windfall gain that accrues to landowners from the sale of their land for residential development... [and that the] Government should impose a Planning-gain Supplement on the granting of planning permission so that landowner development gains form a larger part of the benefits of development."¹
5. The Government responded to the Barker Report by announcing on 5 December 2005 that it accepted the proposal in principle and would consult on the workability of PGS.² The consultation sought views on aspects of PGS including how planning gain would be valued, how PGS would be paid, the scope of PGS, the new scope of planning obligations and the allocation of PGS revenues. The consultation closed on 27 February 2006³. Further consultations on the practical workings of PGS were announced at the 2006 Pre-Budget Report.⁴
6. The Government intended that PGS would seek to capture a portion of the land value of the increase that occurs when full planning permission is granted for the development of that land (subject to minimum thresholds).
7. Developers would be required to declare their intention to commence development of any site that carried a potential PGS liability through a PGS Start Notice procedure. That person would be the chargeable person for the purposes of the PGS liability for the relevant development site and would be required to make a PGS return and pay the PGS within a specified time from the date of the PGS Start Notice. PGS would apply to both residential and non-residential development.
8. It intended that PGS would be levied and collected centrally by the Commissioners for Her Majesty's Revenue and Customs; but to retain the local link between developer contributions and local planning permission. PGS revenues would be recycled to the local level.

¹ *Barker Review of Housing Supply*, p87, HMT, 17 March 2004, available at: www.hm-treasury.gov.uk

² *Planning-gain Supplement: a consultation*, HMT, HMRC and ODPM, 5 December 2005, available at: www.hm-treasury.gov.uk

³ A summary of responses was published on 6 December 2006 and is available at: www.hm-treasury.gov.uk

⁴ Further consultations on PGS available at: www.hmrc.gov.uk and www.communities.gov.uk