The new residential property developer tax: HM Treasury consults on design, implementation and administration

General Features **Large Corporate**

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HM Treasury’s consultation on the new residential property developer tax has been published; the CIOT is responding and invites views.

The Treasury has published a consultation paper (closing on 22 July 2021) on the design, implementation and administration of a new tax, the residential property developer tax (RPDT). RPDT will apply to large residential property developers on profits that exceed an annual allowance of £25 million. The legislation will be included in the 2021/ 22 Finance Bill and will apply to profits from accounting periods ending on or after 1 April 2022. The rate will be set following the consultation. RPDT is stated to be time-limited and intended to raise at least £2 billion over a decade. The revenue raised will contribute to cladding remediation work as part of the government’s plan ‘to bring an end to unsafe cladding, provide reassurance to homeowners and support confidence in the housing market’.

A new Gateway 2 Levy will also be introduced as part of the Building Safety Bill applying to developers seeking permission to develop certain high-rise buildings (above 18 metres) in England. This will be the subject of a separate consultation, although the interaction of the tax and the levy, and their cumulative impact, is considered in the RPDT consultation.

The consultation paper proposes two alternative models to calculate profits subject to RPDT, asking for views on a company-based or an activity-based approach.

The corporation tax rules will provide a basis for the reporting and payment (including instalment payments) of RPDT. Companies liable to RPDT will self-assess either through their corporation tax return or via a new return.

We welcome views from members on the consultation to feed into both consultation meetings with the Treasury and to formulate our written response.

The consultation is at www.tax.org.uk/rpdtcondoc.