

Contributor



The impact of the pandemic

The full impact of the pandemic on the construction sector will not truly be known for years to come. Whilst it would seem that the residential sector, in particular, remains robust as demand and prices continue to surge, commentators are concerned that any pandemic bounce back is endangered by a combination of materials shortages, rising materials prices and scarcity of skilled and unskilled labour. Where materials are available logistics businesses are currently unable to deliver them in a timely manner. Even though new orders are up, ONS figures indicated that construction output dropped below pre pandemic levels for 3 consecutive months in the summer.

Pressure is therefore on the industry to be proactive and work together in resolving the above issues and to free up supply to meet demand. Commentators are concerned such external pressures are creating real uncertainty at the moment and that materials and wage inflation is set to continue for the foreseeable future. Whilst such uncertainties are not peculiar to the construction industry, it is unfortunate timing that the government chose to announce the introduction of a Residential Property Developer Tax (RDPT) by issuing a consultation document on 29 April 2021. RDPT will be payable on top of a developer's corporation tax liability and it is known that it will be assessed on relevant

profits in excess of £25m on residential property sales or build to rents. At the time of drafting details of the final scheme and how it will operate, including the rate at which it will be assessed, are uncertain. What we do know is that it will apply from 1 April 2022 and will be applicable for the following 10 years. Given that no relief will be available for financing costs it may well bring a lot more businesses into charge than one might suspect.

The government's justification for the introduction of RDPT is to assist in the cost of the Building Safety Package which was announced by the Secretary of State for Housing on 10 February 2021. When more details are available with regard to the rate applicable, means of calculation and timing of the payments, any prudent residential property developer should ensure that their budgeting processes for new projects and those that will straddle the introduction RDPT are amended to cost out this new tax.

However, on a positive note, there is significant scope for companies to improve their cash flow through the use of Research and Development (R&D) tax relief in the sector. It is important to remember that within construction a whole range of costs are potentially eligible as the basis for a claim. R&D need not just relate to the development of brand new ideas or concepts but a range of activities contributing to the continuous evolution of existing technology and practice could well qualify. We would encourage all businesses in the sector to take a close look at what they are doing and speak to their adviser to make absolutely certain that they are not missing out on the possibility of claiming R&D tax relief. MHA Macintyre Hudson understands the nature of the construction industry and the challenges faced. We work with a wide range of clients in the sector.

Glen Thomas
Tax Partner
MHA Macintyre Hudson
03330 100 220
Glen.thomas@mhllp.co.uk



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