

## The basics behind the Residential Property Developer Tax



[This year's Autumn Budget](#) confirmed more details on the new Residential Property Developer Tax which is due to kick in from April 2022. This follows the government's announcement on 10 February 2021 that it would introduce the tax as part of its Building Safety Package. This aims to bring an end to unsafe cladding, provide reassurance to homeowners and support confidence in the housing market.

In the large part, the response to the consultation confirms details first [set out in the documents published in spring](#) but some changes have been made to the proposed administrative framework. The overall treatment will be as an extension of Corporation Tax rather than a specifically separate tax.

### What is the rate?

4% – the Government has stated that it will monitor the tax system continuously and will keep this under review.

### Will every developer have to pay?

No – there shall be an annual group-based allowance of £25 million. The Government's response paper provides further details including allowances across company groups and in relation to joint ventures.

The tax will apply to profits recognized in accounting periods ending on or after 1 April 2022. Where an accounting period straddles 1 April 2022, the profits shall be apportioned.



## Is any development exempt?

- Care homes – the government has reiterated that only care homes should qualify for an exemption.
- Built to Rent – due to the difficulties in calculating profits from Build to Rent activities – these activities shall be exempt.
- Affordable house – registered providers of affordable housing and their wholly owned subsidiaries shall be exempt.
- Communal housing – purpose built student accommodation and other communal housing such as hospitals, hotels, residential accommodation for the armed forces and sheltered accommodation shall be exempt.

## How long will the tax be payable?

The government has acknowledged that the tax should be time-limited and it should seek to raise at least £2 billion over a decade.



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