

- PGS to be implemented in 2008 with transitional measures designed to ameliorate its effect on existing contracts or applications
- PGS will be a self assessment regime administered by HM Revenue & Customs

### How will PGS be calculated?

PGS will be calculated once the land has been granted a detailed planning consent and will become payable when development commences as at a yet unspecified rate although the consultation papers suggest 20% as being acceptable. At the time that a planning permission is to be validated a development start notice will be required if development is to commence.

This development start notice will identify the chargeable person which in the majority of cases will be the developer i.e. the person implemented in the planning consent. All chargeable persons/companies have to submit a PGS return to HM Customs & Excise based on self

assessment of the uplift in value based on the grant of the detailed planning consent.

The Government has been attempting to introduce a more efficient way of regenerating land and fund local infrastructure and needs as the existing system of s106 payments is thought to be too simplistic and crude.

However, there have been a number of attempts by Central Government to introduce a similar tax on development all of which have ended in failure and have been repealed.

### Will it work, and who will pay?

In respect of PGS there has been much debate about its advantages and disadvantages and whether it can work. The majority of opinion so far has been against the introduction of PGS for a number of reasons.

Firstly, PGS will add costs to the development process in particular with regard to finance as it will become payable at the start of any development and

not when capital receipts are obtained.

Secondly, whilst it is the developer who will pay PGS as they are implementing the consent it is normally the vendor or landowner who financially benefits the most from a planning consent being granted. This is also at a low risk to the landowner as it is normally the developer who takes the majority of the risk and costs in obtaining the planning consent and ensuring that the land is fit for development. Consequently it has been suggested that it should be the landowner who becomes responsible for PGS.

Furthermore, whilst PGS was initially suggested to target green field sites and the considerable uplift in values a residential planning consent generates, it is also now being applied to brown-field sites. Criticism of this is that it can be more difficult to assess the gain due on brown-field sites due to higher costs with re-development which could therefore lead to the more complicated sites and high risk

regeneration projects being shelved.

Whilst it is intended that other planning obligations will be reduced so as not to hinder development this has not yet been confirmed. Consequently planning costs in respect of both s106 agreements and PGS will remain an unknown cost to a developer therefore increasing development costs. This appears to contradict Kate Barker's recommendation that PGS will ensure that planning obligations will become clearer and fairer:

The property industry appears to be united against the introduction of PGS with a number of leading property figures airing concerns about its workability and its potential for deterring development. The British Property Federation whilst condemning the potential introduction of PGS has suggested an alternative system based on a 'tax per roof' basis where developers pay a fixed levy on any development.

**For further information, please contact Keith Brelsford on 020 8591 6671.**