

# **THE PLANNING-GAIN SUPPLEMENT (PREPARATIONS) ACT 2007**

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## **EXPLANATORY NOTES**

### **INTRODUCTION**

1. These explanatory notes relate to the Planning-gain Supplement (Preparations) Act 2007 which received Royal Assent on 20th March 2007. They have been prepared by HM Treasury in order to assist the reader of the Act. They do not form part of the Act and have not been endorsed by Parliament.
2. The notes need to be read in conjunction with the Act. They are not, and are not meant to be, a comprehensive description of the Act. So where a section or part of a section does not seem to require any explanation or comment, none is given.

### **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."<sup>1</sup>
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.<sup>2</sup> 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

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<sup>1</sup> *Barker Review of Housing Supply*, p87, HMT, 17 March 2004, available at: [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

<sup>2</sup> *Planning-gain Supplement: a consultation*, HMT, HMRC and ODPM, 5 December 2005, available at: [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

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planning obligations and the allocation of PGS revenues. The consultation closed on 27 February 2006<sup>3</sup>. Further consultations on the practical workings of PGS were announced at the 2006 Pre-Budget Report.<sup>4</sup>

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.

## **SUMMARY**

9. The implementation of the PGS would require further primary legislation when Parliamentary time allows.
10. However, the information technology and administrative systems that would be required to ensure the successful introduction of the PGS have a long development period. The successful implementation of the PGS would therefore require expenditure to be incurred on the technological and administrative infrastructure of the PGS well in advance of the implementing legislation.
11. For example –
  - a) Her Majesty's Revenue and Customs would need to incur expenditure, on the design and procurement of new information technology and preparing HMRC and the Valuation Office Agency (an agency of HMRC) to administer the PGS;

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<sup>3</sup> A summary of responses was published on 6 December 2006 and is available at:  
[www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

<sup>4</sup> Further consultations on PGS available at:  
[www.hmrc.gov.uk](http://www.hmrc.gov.uk) and [www.communities.gov.uk](http://www.communities.gov.uk)

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- b) the Secretary of State would need to incur expenditure for the purposes of adapting the Planning Portal (the Government internet gateway to planning information throughout the UK) to support PGS processes; and
  - c) the Department of Personnel and Finance in Northern Ireland would need to incur expenditure for the purposes of preparing the Valuation and Lands Agency to administer the PGS in Northern Ireland.
12. This Act would authorise the Commissioners for Her Majesty's Revenue and Customs, the Secretary of State and the Northern Ireland Department to incur expenditure for the purposes of facilitating the introduction of the PGS should legislation establishing the PGS be enacted by Parliament.

## **TERRITORIAL EXTENT**

13. It is intended that the PGS would operate across the United Kingdom. The Secretary of State and the Northern Ireland Department would not incur expenditure outside England and Northern Ireland respectively. However, HMRC could incur expenditure across the United Kingdom.

## **ANNEXES**

14. Annex A lists the standard abbreviations of enactments and technical terms used in these notes.

## **COMMENTARY ON CLAUSES**

### ***Section 1 Preparatory Expenditure***

15. *Subsections (1) and (2)* would enable the Commissioners for Her Majesty's Revenue and Customs, the Secretary of State and the Northern Ireland Department to incur expenditure for the purposes of preparing for the introduction of the Planning-gain Supplement. This would be a proposed tax on the increase in the value of land arising from the granting of planning permission in respect of that land.
16. *Subsection 3* provides that the money would be paid out of monies provided by Parliament in the usual manner (and therefore subject to the annual supply procedure).

### ***Section 2 Extent***

17. This section provides the Act to have effect throughout the United Kingdom (as described in paragraph 13 above).

### ***Section 3 Short title***

18. This section provides for the Bill to be known as the "Planning-gain Supplement (Preparations) Act 2007". It came into force at Royal Assent.

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## HANSARD REFERENCES

19. The following table sets out the dates and Hansard references for each stage of this Act's passage through Parliament.

Stage	Date	Hansard reference
<b>House of Commons</b>		
Introduction	12 December 2006	Vol. 454 Col. 750
Second Reading	15 January 2007	Vol. 455 Cols 561- 622
Committee	30 January 2007	Planning-gain Supplement (Preparations) Bill Committee
Report and Third Reading	20 February 2007	Vol. 457 Cols 157 - 209
<b>House of Lords</b>		
Introduction	21 February 2007	Vol. 689 Col. 1071
Second Reading	5 March 2007	Vol. 690 Cols 54 - 72
Committee stage negatived	5 March 2007	Vol. 690 Col. 72
Third Reading	19 March 2007	Vol. 690 Col. 1012
<b>Royal Assent – 20 March 2007</b>	House of Lords Hansard Vol. 690 Col. 1135 House of Commons Hansard Vol. 458 Col. 683	

## ANNEX A: LIST OF ABBREVIATIONS

CLG	Communities and Local Government
HMRC	Her Majesty's Revenue and Customs
ODPM	Office of the Deputy Prime Minister
PGS	Planning Gain Supplement

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2/2009 421672 19585