

FOCUS ON

Freeports announced in 2021 UK Budget

Freeports usher in a new dawn for the UK to regenerate as a global exporting power.



A welcome announcement in the Budget to approve eight new Freeports in England in regeneration regions. Although Freeports will benefit the whole of the UK, businesses in these areas will benefit from more generous tax reliefs, simplified customs procedures and wider government support, bringing with it investment, trade and jobs.

The intention is to have Freeports in Wales, Scotland and Northern Ireland and these locations will be announced in the near future.

Today the following areas were announced as sites for the first eight UK Freeports:

- **East Midlands Airport**
- **Felixstowe and Harwich (Freeport East)**
- **Humber**
- **Liverpool City Region**
- **Plymouth and South Devon**
- **Solent**
- **Thames**
- **Teeside**

It is expected that these Freeports will begin operations from late 2021.

What is a Freeport?

Freeports are an approved port (air or sea) where normal tax and customs rules do not apply. On receipt at a freeport, imports can enter with simplified customs documentation and without paying customs tariffs. Companies who operate inside the designated freeport area can store or manufacture using the imported goods before exporting again without ever being subject to customs tariffs or import procedures in the UK.

It is only if the imported goods move out of the freeport zone and into another part of the UK that they will be subject to full import declarations and payment of any customs duties.

Usually, a freeport is designed specifically to encourage companies in high-tariff jurisdictions, that import, process and then re-export goods, rather than more general business support or regeneration objectives. The UK appears to have assigned the Freeports with regeneration as a factor, as per the Chancellor's overview of Teeside Freeport's possibilities.

This will benefit those areas as it is expected there will be movement of manufacturing and warehousing into these zones to minimise their customs obligations and take advantage of UK tax reliefs that have been announced in the Budget.



What are the benefits for Businesses?

One of the benefits of operating within a Freeport is that a company can store goods without the need for a customs warehouse authorisation. This reduces costs and administrative burden but would likely require links to the Freeport's inventory system.

The benefits of a Freeport are normally in high-tariff jurisdictions. As the UK has already made significant alterations to the UK's Customs Tariff, by liberalising over 2000 commodity codes to 0%, and the introduction of Postponed Import VAT Accounting (PVA), the benefits of operating within a freeport are somewhat reduced.

Therefore, Freeports will be particularly attractive to those businesses that import goods which attract a high Customs tariff, for example, textiles and footwear as well as food products and which are processed in some minor way before being sold on to the EU as it will avoid the Double Customs Duty hit without having to use expensive Customs Warehousing regimes.

This is where the addition of a Tax Site within the Freeport creates other attractive benefits which will allow businesses to benefit from:

An enhanced 10% rate of Structures and Buildings Allowance

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An enhanced capital allowance of 100%

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Full relief from Stamp Duty Land Tax

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Full Business Rates relief

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The government also intends to allow an employer National Insurance contributions relief



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