

# Teesside Freeport Tax Site Management Policy

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## Introduction

Freeports are special areas within the UK's borders where different economic regulations apply.

The Freeport model operating in England has 3 key objectives which contribute to the government agendas of build back better, driving clean growth and levelling up:-

- Establish Freeports as national hubs for global trade and investment
- Create hotbeds for innovation
- Promote regeneration

The English Freeports model includes a comprehensive package of measures, comprising tax reliefs, customs, business rates retention, planning, regeneration, innovation and trade and investment support.

Tax reliefs, including enhanced capital allowances, relief from stamp duty and employer national insurance contributions for additional employees, are designed to encourage the maximum number of businesses to open, expand and invest in our Freeports which in turn will boost employment.

## Background

The Teesside Freeport is centred around the seaports along the River Tees and extends to 45 km beyond, including Teesside International Airport.

Three tax sites operate in the Teesside Freeport:

- [Teesworks East](#)
- [Teesworks West](#)
- [Wilton International](#)

All the organisations operating within the Teesside Freeport Tax Sites boundaries are committed to maximising the opportunities presented by Freeport status. This commitment extends across public and private sectors, and includes all landowners, and their agents.

The Teesside Freeport focuses on three key sectors: -

- Clean Energy (including Offshore Wind Assembly and Manufacture)
- Chemicals and Materials Processing
- Bio Life Sciences (Advanced Manufacturing)

These sectors contribute to the development of a Tees Valley Net Zero Cluster and are listed as the key target markets in section 1b of the Teesside Freeport Full Business Case.

## Purpose

The Freeport Board will determine the eligibility of all inward investment proposals against three criteria that ensure alignment with the Full Business Case. These criteria are:

1. Alignment to eligible sectors
2. Growth
3. Location

The purpose of the **Teesside Freeport Tax Site Management Policy** is to:

- Define organisational roles and responsibilities in the management of the tax sites identified in the Teesside Freeport
- Promote knowledge sharing across **all** organisations operating within the Teesside Freeport
- Promote activities to maximise the benefits available from freeport status on the tax sites.
- Ensure appropriate sanctions are considered following an investigation into non compliance to this policy, which may include withholding of marketing support and recommendations to withhold business rate relief.

## Scope

This policy applies to all organisations working at all levels within the Freeport Tax Sites, including all landowners and their agents involved in the attraction of investors and investment into the three tax sites.

This policy sets out the Tax Site Management for the Teesside Freeport and is not intended to provide a comprehensive approach to marketing and inward investment or compliance with HM Government legislation or HMRC regulations.

Non-compliance with this policy will be subjected to investigation and appropriate sanctions will be levied.

## Approach

A business established on any of the agreed tax sites operating within the Teesside Freeport will be able to benefit from the tax incentives listed in the table below:

| Relief         | Description  | From        | To         |
|----------------|--|-------------|------------|
| STDL           | Purchase & Lease   | Designation | 30 Sept 26 |
| ECA            | 100% first year allowance (P&M)  | Designation | 30 Sept 26 |
| ESBA           | 10% rate of SBA for 10 years   | Designation | 30 Sept 26 |
| NIC            | Zero rate of secondary C1 on new hires (£25k cap for 3 years)  | 6 April 22  | 5 April 26 |
| Business Rates | 100% relief from business rates on SIC specified business premises within Freeport tax sites. (Up to 5 years of benefit) | 1 Oct 21    | 30 Sept 26 |

**a. Tax Sites Eligibility Criteria**

To be eligible to benefit from the Tax Zone incentives available under Teesside Freeport Status, businesses must meet all of the following eligibility criteria:

**Criteria 1: Key Sectors**

Businesses must operate in one of the **key / supporting** sectors listed below.

The **key sectors** eligible for the Teesside Freeport tax incentives are classified as follows:

|  |  |
|--|--|
| <a href="#">ONS SIC Section &amp; Division Codes</a>                           |  |
| <a href="#">Section C: Manufacturing</a>                                       |  |
| Division 10  | <a href="#">Manufacture of food products</a>   |
| Division 20  | <a href="#">Manufacture of chemicals and chemical products</a>                               |
| Division 21  | <a href="#">Manufacture of basic pharmaceutical products and pharmaceutical preparations</a> |
| Division 24  | <a href="#">Manufacture of basic metals</a>  |
| Division 25  | <a href="#">Manufacture of fabricated metal products, except machinery and equipment</a>     |
| Division 27  | <a href="#">Manufacture of electrical equipment</a>  |
| Division 28  | <a href="#">Manufacture of machinery and equipment n.e.c.</a>                                |
| <a href="#">Section D: Electricity, Gas, Steam and Air Conditioning Supply</a> |  |
| Division 35  | <a href="#">Electricity, gas, steam and air conditioning supply</a>                          |

The **supporting sectors** are eligible where they are essential supply chain or enabling services for the key sectors listed above:

|  |  |
|--|--|
| <a href="#">ONS SIC Section &amp; Division Codes</a>                         |  |
| <a href="#">Section G: Wholesale and Retail Trade</a>                        |  |
| Division 47  | <a href="#">Retail trade, except of motor vehicles and motorcycles<sup>1</sup></a> |
| <a href="#">Section H: Transportation and Storage</a>                        |  |
| Division 49  | <a href="#">Land transport and transport via pipelines</a>                         |
| Division 50  | <a href="#">Water transport</a>  |
| Division 52  | <a href="#">Warehousing and support activities for transportation</a>              |
| <a href="#">Section J: Information and Communication</a>                     |  |
| Division 63  | <a href="#">Information service activities</a>                                     |
| <a href="#">Section M: PROFESSIONAL, SCIENTIFIC AND TECHNICAL ACTIVITIES</a> |  |
| <a href="#">Section N: ADMINISTRATIVE AND SUPPORT SERVICE ACTIVITIES</a>     |  |

**Criteria 2: Growth**

Businesses eligible to benefit from Tax Zone Incentives will need to demonstrate that they are **delivering growth** in jobs to the region. In particular, the investor must provide evidence that it is not displacing jobs from elsewhere in the region or in the UK and that its investment in a Freeport tax site is either new investment or an increase in scale of investment over previous plans.

<sup>1</sup> A section of greenfield land on the tax site at Wilton, known as Roadside, has planning permission granted for retail and hotel accommodation which supports employees and other site users.

### Criteria 3: Location

Businesses eligible to benefit from Tax Zone Incentives must be **located** in the designated plots of land which have been granted Freeport Tax Sites, as detailed on the [HMRC Website](#):

- [Teesworks East](#)
- [Teesworks West](#)
- [Wilton International](#)

#### b. Decision Making Process

The tax site decision making process is summarised:



#### c. Exceptions Process

It is recognised that there may be instances where there is interest from a business which does not fit the sector eligibility criteria provided above.

In addition to the usual pipeline the landowner or their agent must provide commercial rationale to the board in the form of a written report, to demonstrate why an exception is necessary. The Board will determine whether or not the business should locate on the site, in consideration of the opportunity cost and benefits to the region. The Board will also review the eligibility criteria and recommend any changes as a result.

## Responsibilities

The responsibilities of organisations working within the Freeport Tax sites are listed below:

### **a. The Freeport Board**

The role of the Board is to: -

- a. establish the Freeport as a national hub for global trade and investment
- b. promote regeneration and job creation
- c. create a hotbed for innovation

This is to be achieved by discharging the following functions: -

- a. Market the Freeport effectively to procure private investment into the Freeport
- b. Provide appropriate support to investors who commit to the Freeport to help deliver their investment
- c. Make use of the public Freeport measures provided to deliver a Freeport (such as regeneration funding and Local Development Orders)
- d. Provide an innovation function which:
  - i. supports innovative businesses where they require input
  - ii. coordinate and facilitate submissions for place-based innovation or challenge funds and regulatory support from Freeport firms
- e. Monitor and maintain integration with local economic strategies
- f. Formally report to MHCLG (now DLUHC) through the area lead periodically and at least annually on how the Freeport is delivering on the strategy set out in their winning bid
- g. Comply with MHCLG's requirements on monitoring and evaluation (such as data collection and provision regarding new jobs, businesses created and private investment attracted)
- h. Actively manage security risks across physical, personnel, and cyber domains, and work with MHCLG, HMRC, Border Force, the NCA, and Home Office to conduct an annual audit of the security measures in place and any breaches

Applying functions c and e above, the Freeport Board will receive information sufficient to confirm the strategic fit of business. It is recognised there is a potential conflict of interest of land-owning board members and the sensitive nature of commercial negotiations, so the Board will not have full visibility of all the details of the investment pipeline. As an example, the landowner would provide information on the type of company (eg Gigafactory, offshore wind manufacturing, lifesciences). This allows the Board to determine which businesses qualify for the Freeport Incentives and ensures the criteria set out above is adhered to. This gateway check ensures the tax incentives are maximising the delivery of the Freeport Policy Objectives.

Where landowners or their agents wish to provide land for businesses not fitting the eligibility criteria, the Board will review the report provided as set out in the exceptions process.

The Board can amend this list of eligible sectors to ensure the delivery of the Freeport objectives is met and developing a Net Zero Cluster is achieved.

The Freeport Board's eligibility criteria decision is final.

*(The full Terms of Reference of the Role and Functions of the Freeport Governance Board are set out in the Governance arrangements, Annex J of the Freeport Full Business Case).*

**b. The Landowner and their Agent**

It is expected that the landowners and their agents are committed to maximising the opportunities presented by Freeport status. This requires their inward investment marketing activities to be directed on the attraction of eligible businesses to their sites.

Eligible businesses will be able to make use of the tax incentives listed above, and benefit from the freeport policy levers available.

An overview of the planned inward investment activities and a resultant redacted pipeline of interest is required to be made available to the Inward Investment Workstream and Freeport Board. This will ensure that marketing and promotional activities are aligned to best effect across the Freeport, the risk of attracting ineligible businesses is mitigated, and the delivery of the Freeport outcomes is actively managed.

As enquiries mature through the pipeline of interest, prior to formal offer, it is required that the Freeport Board are notified of the incoming occupants of the tax sites, to confirm strategic fit with the Freeport objectives, and to confirm with the Local Authority eligibility for Business Rates Relief.

Should the landowner and their agents not comply, the Freeport Board can withdraw marketing support and will recommend to the Local Authority to withhold Business Rates Relief.

**c. The Local Authority: Redcar & Cleveland Borough Council (RCBC)**

All Teesside Freeport Tax Sites are located within Redcar and Cleveland Borough. The Council is the Billing Authority which will receive the additional Business Rates that are retained locally as a result of Freeport Status on the tax site at Wilton International.

The Freeport Board will auto approve eligible businesses that will qualify for Business Rates Relief. The Board will advise the billing authority to withhold Business Rates Relief from ineligible businesses that locate, by exception, on the Tax Site. RCBC that the RCBC carry out the activities to collect the rates and provide the appropriate subsidy to businesses and seek their compensation for the subsidy from Central Government.

**d. Tees Valley Combined Authority**

TVCA is the accountable body for the seed capital and revenue funding provided by government to establish the Freeport. TVCA provides the governance and assurance processes, and matrix team resources required to develop and support the delivery of the Freeport.

Expertise in Skills, Innovation, Inward Investment, Net Zero is drawn from thematic teams already established and funded within the TVCA Group structure. Teesside Freeport draws on this expertise to provide the support offer for inward investors to reduce barriers to investment.

The Freeport works on behalf of its members, as a business association, to drive business development opportunities into the region which will lead to inward investment and growth in existing supply chain clusters and export trade growth. It will do this by specifically targeting promotional activities to the eligible sectors listed above and providing a central enquiry handling process to benefit all members.



The Billing Authority, (Redcar & Cleveland Borough Council (RCBC)), is a member of TVCA, the Leader of RCBC is the Chair of the Strategy & Accountability for Public Money Workstream.

## **Reporting**

Progress will be reported to the board via the governance structure set out at in the Freeport FBC, Annex J. Progress will be reported to central government via the reporting structures set out in the Memorandum of Understanding, Monitoring and Evaluation

- The Inward Investment Workstream receives an overview of the investment pipeline, to review the effectiveness of marketing tactics to grow the pipeline and to coordinate marketing effort across all Freeport partners
- The report of the Inward Investment Workstream is a standard agenda item to the bi-monthly Freeport Board
- The Board receives an overview of the investment pipeline and will auto approve the strategic fit of eligible businesses wishing to locate on the site and, if required, consider any exceptions proposed by a landowner.
- Official government reporting of performance takes place quarterly, half yearly, and annually.