

Mr David Gauke MP  
Exchequer Secretary to the Treasury  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

4 December 2014

Dear David,

Following a meeting with the CLA, we, as members of the MPs' HS2 Compensation and Mitigation Forum, are writing to you concerning the issue of Capital Gains Tax (CGT) roll-over relief and compulsory purchase. This issue has been raised with us both by the CLA nationally and the Buckinghamshire County Committee.

The CLA is the membership organisation for owners of land, property and businesses in rural England and Wales who help safeguard those with an economic, social and environmental interest in rural land and the rural economy. Their members own and manage about half of the rural land in England and Wales and a number of their members are affected by the HS2 Scheme, which will result in a large number of compulsory purchases.

The CLA believes the current rules for CGT relief for those who have had their land compulsorily purchased is unfair and are campaigning for reform. On behalf of our constituents who stand to lose land to HS2, we urge you to consider them.

#### **Ability to Invest in an Asset Other Than Land**

Under current legislation, anyone who wishes to reinvest the capital they have gained following the compulsory purchase of land can only reinvest that capital in land to be eligible for relief. For example, a landowner who owns a farm that is let to tenant farmers and some of the tenanted land and farmhouse are compulsorily purchased, relief is only available if they reinvest in new land or property, rather than being able to invest in the construction of a new farmhouse for their tenant's use on the retained land. In addition, a landowner, who lets a number of properties potentially at a reduced market rent so that they are affordable in the local community, but has these properties compulsorily purchased cannot reinvest in building new homes for these tenants on other land he owns and still qualify for relief. He will only qualify if he buys existing homes.

Businesses should be able to invest funds gained as a result of compulsory purchase in a wider range of assets rather than just replacement land, which may often not be the most appropriate investment for their business.

#### **Time Period for Reinvestment**

The current rules allow an individual who has made capital gains from a compulsory purchase to qualify for relief if he or she reinvests the gain within one year before compensation is agreed to three years after. This may be several years after the land is safeguarded and a reinvestment decision is needed to facilitate the continuity of the business. As it is highly unlikely individuals will know when their compensation will be finally agreed, the provision of a reinvestment period that

commences one year before compensation is agreed is of little help. In addition, the restriction to three years after compensation is agreed, or even paid, means businesses often cannot wait for suitable land to become available if they wish to benefit from the roll-over relief.

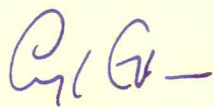
Extension of the roll-over period to a new timescale that reflects the impact of major infrastructure projects and the needs of the businesses affected should be introduced. The CLA suggests that this period should be from the time of safeguarding to five years after all compensation is paid.

We are aware that HMRC do have discretion to alter the period for reinvestment to qualify for rollover relief. However, those affected by compulsory purchase are often unaware that this discretion exists and feel unable to request that HMRC exercise their discretion due to a desire to complete the compulsory purchase process as quickly as possible and their unease about challenging HMRC. Often a taxpayer would need to instruct a professional adviser to make this request which would incur additional costs. In addition, an application for discretionary relief still provides a degree of uncertainty for the business as to whether their request will be granted and fails to resolve the issue regarding the requirement to reinvest in land.

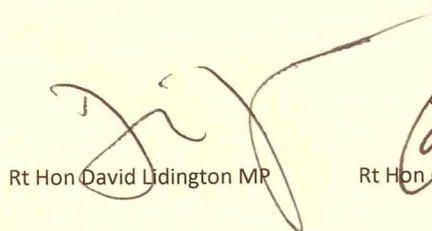
Landowners and businesses affected by compulsory purchase deserve more certainty from the tax system than exists currently. These changes together would enable individuals affected by compulsory purchase to make the best investments, at the right time, that would enable their business to grow, rather than stagnate or potentially fail due to the uncertainty caused by compulsory purchase.

The CLA is aware that discussions are taking place between HMRC and HM Treasury on this issue and we would urge you to carefully consider the reforms the CLA is proposing, which will help to provide a fairer taxation system for those individuals whose land or business is subject to compulsory purchase.

Yours sincerely,



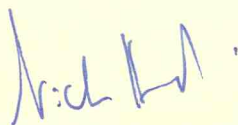
Rt Hon Cheryl Gillan MP, Chair



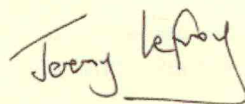
Rt Hon David Lidington MP



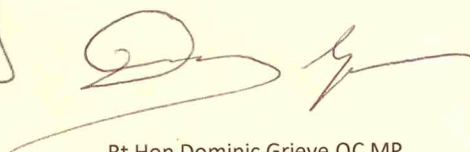
Rt Hon Caroline Spelman MP



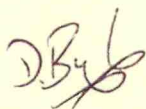
Nick Hurd MP



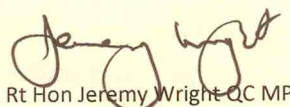
Jeremy Lefroy MP



Rt Hon Dominic Grieve QC MP



Dan Byles MP



Rt Hon Jeremy Wright QC MP