

UK Freeports

Summary of the UK customs and tax benefits

Grow | Protect | Operate | Finance

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Following Brexit, the UK, Welsh and Scottish governments announced the creation of Freeports across the UK to create jobs, increase international trade, provide regeneration opportunities, and serve as hubs for innovation.

What are Freeports?

Freeports are designated areas within the UK's borders where normal regulations, tax and customs rules do not apply.

The UK's Freeport model includes a comprehensive package of measures, comprising of customs and tax reliefs, business rates reduction, planning, regeneration, innovation and trade and investment support.

The intention is that the package of measures will create thousands of high-quality jobs to boost redevelopment and promote regeneration and innovation in certain areas within the UK.

The introduction of Freeports provides an opportunity for companies across every sector and region of the UK. In particular, manufacturers with an international supply chain may benefit from the customs benefits whilst the opportunities presented by Freeports (specifically Scottish Green Freeports) may be of interest to clients in the off-shore renewable energy sectors.

Where are they?

The agreed UK Freeport locations are:



Locations in purple represent Dentons offices.

The key customs and VAT benefits of UK Freeports

Freeports provide several advantages relating to VAT and customs duties and procedures for imported goods, including:

- **Duty deferral:** No import tariffs apply to goods brought into the Freeport until they enter the UK domestic market.
- **Duty exemption for re-exports:** Where components are imported into the Freeport duty free, and then used to manufacture a product, no tariffs are payable if the finished product is then re-exported.
- **Tariff suspension:** Tariffs can be suspended on goods imported into a Freeport for storage, manufacturing or processing and then re-exported without ever entering the UK's domestic market.
- **Duty inversion:** If a product that is manufactured within a Freeport from imported components has a lower tariff than the components themselves, the lower rate can be applied. This can result in significant savings on customs duties.
- **Simplified customs processes:** Goods imported into a Freeport benefit from streamlined customs procedures.
- **Import VAT suspension:** No import VAT applies to goods brought into the Freeport until they enter the UK domestic market.

These benefits can improve cash flow for businesses as the Duty and VAT is deferred, and in some circumstances removed.

The key tax benefits

In the UK, Freeports can offer significant tax and other advantages to businesses, potentially leading to increased growth and investment opportunities.

These advantages are designed to encourage businesses to open, expand and invest in Freeports which will ultimately boost employment. The key tax benefits are discussed below:

Enhanced Capital Allowances (ECAs)

ECAs allow businesses to write off the full cost of certain qualifying capital items against taxable profits. In designated Freeport tax sites, businesses can benefit from this relief on plant and machinery investment, potentially leading to significant tax savings.

In addition to the plant and machinery ECAs, businesses may also claim enhanced structures and buildings allowance (SBAs) allowing qualifying expenditure to be written off for tax purposes over ten years rather than 33⅓ years.

This is available not only for the acquisition of new structures and buildings but also for expenditure on the conversion or renovation of parts of buildings that were already in use before the designation of the Freeport site.

Stamp Duty Land Tax (SDLT), Land Transaction Tax (LTT), and Land and Buildings Transaction Tax (LBTT) Relief

SDLT (England), LTT (Wales), and LBTT (Scotland) relief applies to purchases of land or property within a Freeport tax site, under certain conditions.

The relief offers full or partial relief from the tax on non-residential buildings and land in certain areas within the Freeports:

- **Full relief** would be available where at least 90% of the chargeable consideration is attributable to qualifying Freeport land.
- **Partial relief** will be available where less than 90% but more than 10% of the chargeable consideration is attributable to qualifying Freeport land. Relief would be given in relation to the relevant proportion on a just and reasonable basis.

Either relief will be available for land which is used, or is intended to be used, in a 'qualifying manner'. This broadly means land or property used for a commercial activity or trade.

As announced in the 2023 Autumn Statement, the government will extend the Freeport tax reliefs to 30 September 2031 for Freeports in England with extensions in Scotland and Wales subject to agreement with the devolved administrations.

National Insurance Contributions (NICs) Relief

Employers could be eligible for relief from employers' NICs for eligible new employees in Freeports. The NIC relief is currently available on the earnings of eligible new employees starting by 5 April 2026 only. The NIC relief will continue to apply for 36 months per employee within the extended ten-year window.

The relief is achieved by raising the threshold for employer's NICs from £9,100 to a new threshold of £25,000. Employer's NICs would not be due on earnings below this threshold. This could lower labour costs and incentivize hiring.

Business Rates Relief

Certain businesses within the Freeport tax site may be eligible for 100% relief from business rates for a 5-year period. This could significantly reduce the ongoing operating costs of these businesses.



An example of the Customs benefits available

Business A manufactures steel components used in wind turbines and other renewable energy projects.

In order to keep up with anticipated global demand over the next decade they are looking to establish a new manufacturing facility within a Freeport tax site.

- An appropriate site will be acquired for £50m with £10m spent on new plant and machinery to be used on site.
- An additional 200 engineers and technicians have been employed, all of which are earning over £25k per year.

Customs benefits in practice

1. Apply to become a Freeport customs site operator, and ensure relevant infrastructure and processes in place.

Admin saving – dedicated HMRC contact to support with the authorisation process.

2. Apply to HMRC for authorisation to use Freeport customs special procedure under one authorisation.

Admin saving – dedicated HMRC support with the authorisation process.

- 3a. Steel, which is subject to counter measures and therefore classed as a controlled good, is brought into the UK by sea, and declared to the Freeport procedure using a full declaration (which is required for controlled goods) ahead of arrival at the port.

Cash flow benefit – Duty and VAT suspended.

- 3b. The steel arrives at the customs site and records are updated. As Business A acts as both the customs site operator and the business, there is no need for further notification.

Admin saving – Less compliance and reporting.

- 3c. The steel is put into storage and moved to the processing facility when required without the need for a declaration. The steel is processed into parts for wind turbines, then exported by sea to offshore wind projects.

Admin saving – Items can move between storage and processing without needing a separate declaration and a bill of discharge is not required.

Financial benefit – No export tariff applied.

Customs benefits in practice (cont.)

4a. Imported components are brought into the UK and declared using a shortened Customs Clearance Request (C21).

Admin saving – supplementary declarations not required.

Cash flow benefit – duty and VAT suspended.

4b. Components manufactured from materials brought into a different customs site – can move under conduct to the main site for completion.

Admin saving – supplementary declarations not required.

Cash flow benefit – duty and VAT suspended.

5. Once checked, the goods are put in to storage and removed from the customs site when required.

Storage benefit – not limited to 90 days storage without paying duties and taxes.

6a. Products used in wind farms wholly or partly within 12 nautical miles of Great Britain are released into free circulation where a full declaration is accepted by HMRC and duties have been paid.

Financial benefits – When declaring the goods to free circulation in GB, duties must be calculated on the goods as they stood when imported to GB and declared to the Freeport procedure.

6b. Products used in wind farms which are completely outside 12 nautical miles of Great Britain are considered to be exported, and an exit summary declaration is made for goods.

Financial benefits – no VAT/duty is paid.

Tax benefits in practice

1. Purchase land in Freeport site and build a facility and warehouse at a cost of £50m.

Tax Relief – Full relief from SDLT/LTT/LBTT.

Tax Relief – Enhanced Structures and Building allowance of 10% rather than the usual 3%.

2. Purchase plant and machinery for £10m to fit out the facility.

Tax Relief – company can claim capital allowances of £10m (100% of the qualifying expenditure) in the year the expenditure is incurred.

3. Hire 200 new employees (all earning over £25k per year).

Tax Relief – Business can claim National Insurance relief of around £473,000 per full qualifying year for 36 months for new employees (using 2023/24 rates and thresholds).

4. Certain businesses within the Freeport tax site may be eligible for 100% relief from business rates for a 5-year period.

Financial benefit – This could significantly reduce the ongoing operating costs of these businesses.

Other business benefits

- **Streamlined planning processes:** Freeports in the UK are expected to benefit from more streamlined planning processes to aid brownfield redevelopment. This could help businesses set up operations faster and more efficiently.
- **Simplified customs procedures:** Freeports allow for simplified customs procedures, which can help businesses reduce paperwork and save time. This includes faster import processes and less administrative hassle.
- **Infrastructure investment:** The UK government has pledged significant infrastructure investment in Freeports. This could potentially lead to better transport links, facilities, and other local infrastructure, making these areas more attractive for businesses.
- **Regeneration and job creation:** Freeports aim to regenerate areas by creating new jobs and attracting inward investment. This could create a more vibrant local economy and opportunities for local businesses.
- **Innovation and technology:** Some Freeports are expected to become hubs for innovation and technology, fostering a collaborative and supportive environment for businesses in these sectors.

Contact us

If you or your clients would like to discuss any of the above in more detail, please get in touch to navigate the complexities of UK Freeports together.

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