The Infrastructure Forum

Taxation Working Group
Autumn Budget 2026 Submission

Introduction

The Infrastructure Forum, through its Taxation Working Group, brings together investors, operators, project developers, lenders and professional advisers involved in the development and renewal of the UK's critical national infrastructure.

The Forum welcomes the Government's recognition that infrastructure is central to economic growth, national resilience, the transition to net zero and regional development. The 10-Year Infrastructure Strategy, the expanded infrastructure pipeline and the work of the National Wealth Fund have all provided a stronger framework for long-term investment.

Investor confidence nevertheless remains fragile. Infrastructure projects are highly exposed to Government decisions, require high upfront expenditure, depend on stable long-term revenue frameworks and take years to move from development through to operation. Tax uncertainty, changes to sector-specific levies and opaque fiscal or accounting treatment therefore affect both whether projects proceed and the cost at which they can be financed.

The Government has stated that the Budget on 28 October 2026 will be founded on fiscal discipline and provide businesses with stability. TIF supports that objective. Certainty and predictability are at least as important as the headline generosity of individual reliefs, but there is also a case for targeted measures that would materially strengthen investment incentives.

This submission therefore recommends a practical package of reforms. It prioritises resolving the tax treatment of pre-development expenditure, making capital allowances more usable for long-term projects, strengthening regional investment incentives, improving the operation and reach of the Advance Tax Certainty Service, avoiding further destabilising sector-specific taxation, and removing fiscal and reporting barriers to private infrastructure finance.

The Infrastructure Forum would be pleased to work with HM Treasury, HM Revenue & Customs and relevant sponsoring departments to develop these proposals further.

Tax & Investment Proposals

Necessary and commercial expenditure on infrastructure assets	Infrastructure projects in the UK incur a significant amount of expenditure even before construction commences; this includes feasibility studies, site investigations, planning and permitting, among many others. All of these are necessary for a successful project, and many are a mandatory part of the process. Currently, there is a gap in the legislation between what qualifies for a deduction as a revenue expense and what expenditure qualifies for capital allowances. This results in expenditure that is capital in nature and does not fall within one of the capital allowance categories (i.e. plant and machinery or structures and buildings) being non-deductible for corporation

	tax purposes. This seems inconsistent with a regime where we tax a company's profits and want to encourage the design and construction of infrastructure within the UK. We note the ongoing consultation into pre-development costs as a result of the uncertainty caused by the Gunfleet Sands case, but we believe there is a wider issue here which needs to be addressed by a more fundamental change to the tax legislation.
Advance tax certainty	The launch of the Advance Tax Certainty Service is welcome as it recognises that certainty over tax treatment is an important part of the UK's competitiveness as a place to invest. It is well known that tax uncertainty can increase the perceived risk of major infrastructure projects, raise the cost of capital and ultimately increase delivery costs. However take-up appears to have been very limited and working group members are not aware of significant use of the Service to date. This suggests that its success will depend not only on eligibility, but also on whether investors see the process as capable of delivering reliable, whole-of-government certainty. Relevant sponsoring departments, regulators, NISTA and the Office for Investment should actively identify suitable projects, encourage applicants and participate where appropriate. A tripartite process involving the investor, HMRC and the relevant sponsoring body would better connect tax certainty with the wider objective of delivering infrastructure cost-effectively in the UK. The current £1 billion qualifying expenditure threshold also excludes many significant infrastructure projects. The Government should use its first-year review to lower the threshold and extend access to a wider range of major infrastructure projects, while ensuring the Service is properly resourced to provide timely decisions.
Capital allowances for infrastructure	Permanent full-expensing and the 40% first-year allowance are welcome. However, as TIF's 2025 Budget submission explained, broad headline reliefs do not always cover enough of an infrastructure project's cost base or provide a sufficiently strong incentive for businesses making large, long-term capital investments. The Government should therefore introduce a Growth Investment Incentive, providing a 130% allowance for qualifying investment in new or substantially upgraded UK infrastructure. The experience of the previous super-deduction showed the value of a clear and generous tax incentive in strengthening the business case for investment and encouraging companies to bring forward capital expenditure. The OBR estimated that the former super-deduction increased business investment by around 5% at its peak, compared with around 3% for full expensing. A targeted 130% allowance would build on that success while focusing support on the infrastructure investment needed to increase productivity and support economic growth. Crucially, any enhanced allowance should be available for long enough to influence multi-year infrastructure investment programmes. Short-lived

	incentives are much less effective for projects with lengthy development, procurement and construction timelines. Generosity alone, however, will not be sufficient. An immediate priority must also be to improve the coverage and practical usability of the existing capital allowances regime. Large projects often generate capital allowances before they have sufficient taxable profits. Where allowances create carried-forward losses that can subsequently be used against only 50% of profits, much of the intended incentive is delayed or lost. The government should consult on a dedicated pool for unused infrastructure allowances, an election to defer or spread relief, or an equivalent mechanism that preserves its value over the project's life. Structures and Buildings Allowance is also particularly important for structures-heavy investment, which will include data centres, but relief at 3% a year is too slow to influence many investment decisions. The rate should be increased for qualifying critical infrastructure, building on the existing 10% treatment available in designated tax sites. Operation must also improve. Concern over later overclaims has led one critical national infrastructure provider not to claim first-year allowances. HMRC should permit reasonable, evidenced estimates and proportionate true-up arrangements.
Investment zones and regional growth	Infrastructure investment is central to regional growth, but the current mix of investment zones, freeports and designated tax sites can be difficult for businesses to navigate. Differences in eligibility, boundaries, incentives and duration make it harder to build a long-term investment case. The Government should set a coherent framework across the different regimes, with incentives available for long enough to influence major capital programmes. Enhanced capital allowances for qualifying infrastructure within priority areas could support the Government's devolution and growth objectives. The Government might also consider a lower Advance Tax Certainty Service threshold for projects in priority areas, supported by active engagement from the relevant mayoral authority or sponsoring department.
Electricity Generator Levy	The Electricity Generator Levy was introduced as a temporary response to exceptional wholesale electricity receipts. Its increase from 45% to 55% from 1 July 2026, together with the Government's intention to extend it beyond 31 March 2028, reinforces investor concern that temporary sector-specific taxes can be repeatedly expanded. The exemption for new generating stations is important and should be retained. The wider concern is the precedent created by repeated changes to the rate and duration of a windfall levy after capital has been committed which weakens confidence in the predictability of the UK tax framework even where a new project is outside the levy.

	The Government should reconsider the proposed extension, set a firm and credible end date, rule out further rate increases or retrospective changes, and avoid additional windfall taxes on Industrial Strategy sectors.
Office for Tax Competitiveness	TIF supports BusinessLDN's proposal for an Office for Tax Competitiveness. The Office's main focus should be setting up a permanent mechanism for assessing where UK tax structures are out of line with, or falling behind, competitor jurisdictions in ways that weaken investment, jobs and growth. A central purpose should be learning from international best practice, including publishing comparative analysis, identifying successful approaches used overseas that could be adapted to the UK and making recommendations to the Chancellor ahead of fiscal decisions.
Infrastructure Investment Trusts	Jurisdictions around the world encourage investment in national infrastructure through Infrastructure Investment Trusts. They provide a tax-efficient means for pension funds and other investors to place international investment into infrastructure assets, and are used in the United States, China, Japan, India and Australia. A UK infrastructure investment trust (UK IIT) would be an infrastructure investment company which, very broadly, simulates (from a tax perspective) direct investment in UK infrastructure. This could form part of the National Wealth Fund or be linked to Great British Energy investments. Many of the characteristics build on those already in place in the REIT regime (including removing the application of double taxation that can arise through a corporate structure), adapting for the existing tax treatment of infrastructure activities. The IIT enables UK tax exempt investors and other overseas investors (e.g. sovereigns and pension funds) to benefit from their own tax status so that they can receive gross tax returns from indirect investment but like the REIT regime would preserve aspects of withholding tax on distribution for certain other types of investors. As for REITs, IITs could be traded, be institutionally owned or have 70% ownership by institutional investors. This would sit separately to other investment structures that have been recently developed such as the Long-Term Asset Funds with the aim of directly encouraging UK infrastructure investment.
Infrastructure ISA	TIF's 2025 Budget submission proposed an Infrastructure ISA. It would boost UK household participation in nation-building investment, provide an attractive savings option for those nearing retirement, and help close infrastructure funding gaps without relying solely on government borrowing. It would sit alongside existing ISA types and be open to all UK adults, with special incentives for those approaching retirement. • **Purpose:** direct long-term retail savings into critical UK infrastructure, including energy, transport, housing, digital, health and education. • **Eligibility:** UK residents aged 18 and over, with a higher allowance for those aged 55 and over.

	• **Contribution limits:** up to £10,000 a year for those under 55 and £20,000 for those aged 55 and over, separate from the existing ISA cap. • **Investment scope:** listed utilities, infrastructure funds, renewable energy vehicles and bonds from regulated operators, under a clear public-benefit infrastructure definition. • **Returns and safeguards:** a diversified, FCA-regulated product designed for long-term holding, with clear risk disclosure and appropriate consumer protections. • **Tax treatment:** tax-free growth, income and withdrawals, consistent with other ISA products.

Infrastructure Finance & Fiscal Framework

Government support packages and RAB	TIF's 'Finding the Sweet Spot' paper recommends expanding Government Support Packages for privately financed infrastructure, building on the approaches used for the Thames Tideway Tunnel and Sizewell C. Support should be used where a defined risk cannot be transferred commercially on value-for-money terms and the business case shows that it will unlock additional private investment. The Government's increasing use of Regulated Asset Base approaches across sectors is welcome and reflects recommendations made consistently by TIF's Investment Working Group. RAB and related support models should be considered systematically where they can lower financing costs, allocate risk efficiently and protect consumers and taxpayers.
Pipeline and standardisation	The latest Infrastructure Pipeline is an important tool for improving visibility, planning and investment decisions. Its investor insights and workforce information are welcome, and future updates should provide as much project-level certainty and commitment as possible. TIF recommends using the pipeline to show private investors where private finance will be welcomed and in what form. For relevant projects, it should identify the expected delivery and financing model, the type of capital sought, the likely timing of market engagement and the appropriate Government or National Wealth Fund contact. Earlier investor engagement will also be key, as will moving away from developing the financing of every project from first principles. NISTA, the National Wealth Fund, the Office for Investment and sponsoring departments should work together to provide a coherent route into Government and develop repeatable commercial frameworks and standard templates for recurring project types.

Classification and accounting	Current classification and accounting rules can treat an infrastructure project as wholly public or wholly private even where risk is shared. TIF's 'Finding the Sweet Spot' paper argues that this binary approach does not reflect the financial substance of complex public-private projects and can create knife-edge decisions that deter otherwise viable investment. The effect is particularly acute where a privately financed project benefits from a Government Support Package that responds only in narrow and remote circumstances. The reporting framework should move towards risk-based proportional allocation and substance over form, while preserving credible public financial reporting. In the short term, ONS should publish clearer classification principles and worked case studies for infrastructure transactions, including Regulated Asset Base and Government Support Package models. It should also engage directly and early with project sponsors and delivery bodies so that classification can inform project design rather than emerge late as an avoidable constraint. ONS and the Financial Reporting Council should be given a Growth Duty, or equivalent governance requirement, to balance credible reporting with responsible infrastructure investment. ONS should pursue a more supportive international approach with Eurostat and the IMF, while the FRC should work with the International Accounting Standards Board on proportional allocation, consolidation and greater transparency.

TIF's Taxation and Investment Working Groups would welcome further discussion with HM Treasury and HM Revenue & Customs.