

**Taxation Working Group
2025 Budget Submission
September 2025**

Introduction

The Infrastructure Forum, through its Taxation Working Group, brings together experts in investment, tax policy and infrastructure development. The Forum welcomes the Government's recognition that the renewal and expansion of critical national infrastructure are central to the UK's growth agenda, while also supporting the achievement of net zero and regional development goals.

The launch of NISTA and its 10-year infrastructure plan has been warmly received by the Forum's network. TIF has long advocated a medium to long-term framework for infrastructure decision-making, our network responded positively to the Government's infrastructure and industrial strategies, together with the accompanying pipeline.

The prospect of greater tax certainty in the application of corporation tax rules to infrastructure projects is also a welcome step forward. TIF looks forward to the government's decision on next steps in this regard.

The 10-year infrastructure strategy outlines at least £725 billion of public investment over the next decade. In the water sector, Ofwat's £104 billion five-year investment plan is ambitious and demanding. In energy, Ofgem's preliminary determination authorises £24 billion of investment in electricity and gas networks over the next five years.

These commitments come against the backdrop of a challenging economic environment, with the additional risk that tax rises for business in the Autumn Budget could undermine investor confidence at a critical time for growth.

Against this context, TIF's working group sets out below a series of potential innovations designed to use the tax system to support infrastructure investment. One such idea is the development of an [Infrastructure ISA](#), through which retail investors could benefit from favourable tax treatment when investing in infrastructure. This could provide a valuable

complement to institutional investment, particularly as traditional pension funds appear increasingly constrained in their ability to channel capital into infrastructure projects.

These proposals are intended to encourage greater investment into UK infrastructure. In many cases, they could be tailored to support specific sectors, regions or Government “Missions”. The Infrastructure Forum will be happy to work with the Government, HM Treasury and HM Revenue & Customs to explore and develop these ideas further.

Tax & Investment Proposals

Infrastructure ISA	The Infrastructure ISA is a proposed new savings product to channel household wealth into UK infrastructure while providing savers with secure, inflation-protected returns. It would sit alongside existing ISA types and be open to all UK adults, with special incentives for those approaching retirement. Key features: • Purpose: Direct long-term retail savings into critical UK infrastructure (energy, transport, housing, digital, health, education). • Eligibility: UK residents aged 18+, with a higher allowance for those 55+. • Contribution limits: ◦ Under 55: up to £10,000/year, separate from the £20,000 ISA cap. ◦ 55 and over: up to £20,000/year, again in addition to other ISAs. • Investment scope: could include: FTSE-listed utilities, infrastructure funds, renewable energy vehicles, and bonds from regulated operators. “Public Benefit Infrastructure Exemption” definition could ensure investments qualify as long-lived, public-benefit assets. • Returns & safeguards: Low-to-medium risk, inflation-linked (CPI +1–3%). Withdrawals allowed, but designed to encourage long-term holding. FCA regulation, with potential government-backed protections. • Tax treatment: Same as other ISAs—tax-free growth, income, and withdrawals. Does not affect pension allowances. Policy rationale: The Infrastructure ISA would boost UK household participation in
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	nation-building investment, provide an attractive savings option for those nearing retirement, and help close infrastructure funding gaps without relying solely on government borrowing. The concept is explained in full here
Business Rates	Reforming business rates is vital, as the current system often discourages investment in infrastructure. One issue is that under the existing regime, businesses that upgrade or expand their assets see the value of their sites rise, which in turn increases the business rates they must pay. Simple reforms could instead incentivise investment and support existing infrastructure businesses. The principal concern however with the Business Rates system for firms in the infrastructure sector is the uncertainty surrounding the 2026 revaluation. In the Autumn Budget 2024, HM Treasury (HMT) signalled that higher multipliers would apply to properties with a rateable value (RV) above £500,000, but confirmation of the applicable multipliers has been deferred until the Autumn Budget 2025. The Autumn Budget will be published after the Valuation Office Agency (VOA) issues the draft list of RVs, following a period of negotiation between firms and the VOA. At present, firms remain unable to determine their Business Rates liability from April 2026 and therefore cannot accurately forecast costs. In addition, while the policy intent to revitalise the high street and ensure online tech giants contribute fairly is the right one, it is important that multiplier reforms do not inadvertently penalise infrastructure investors who are not the intended targets. This uncertainty is already constraining investment plans across the infrastructure sector. While firms are able to appeal VOA assessments of RVs to the Valuation Tribunal (VT), this process is protracted and timelines are unpredictable, creating cash flow pressures and exacerbating forecasting challenges.

There are policy choices available that could help reduce uncertainty and support infrastructure firms.

On the multiplier: at the Budget options such as capping any increase in the multiplier to 1-2p, applying the standard multiplier to hereditaments above £10 million RV, or introducing targeted reliefs for large infrastructure assets could help mitigate disproportionate impacts and support long-term investment.

TIF also welcome the recently published *Transforming Business Rates Interim Report*, following the earlier Discussion Paper which outlined proposals for reform. Key elements of relevance to infrastructure include:

- **Expansion of reliefs:** The interim report commitment to considering how Improvement Relief could be enhanced and to delivering a transitional relief package for sectors facing significant increases at revaluation is welcome. However, more detail is needed on the design of these reliefs as well as an indication of whether further consultation will take place. This presents an opportunity to tailor measures that actively support investment in the sector.
- **Sector-specific valuation concerns:** The report acknowledges concerns regarding the current valuation methodology applied to airports. It is important that HMT consider options to address these issues at the next revaluation.

Revaluation frequency: The report rules out more frequent revaluations, which does help to mitigate some volatility and uncertainty in the valuation process.

In addition, there may be scope for sector-specific reliefs or taxation measures to encourage investment. For example, in February 2025 HMT began implementing a 40% business rates relief for film studios to enhance UK competitiveness in global markets. For infrastructure firms, reliefs targeted at Net Zero or green investment could provide similar incentives to drive growth and support policy priorities.

	Broader reforms could also be considered. Key options include: • Shifting to a land value-based system (as recommended by the Tony Blair Institute), which taxes only the underlying land rather than buildings and improvements, could help remove the current disincentive to upgrade infrastructure. However, because land values are often influenced by the presence and quality of nearby infrastructure, such a system could have unintended or circular effects on valuations. For example, the value of land surrounding an airport is shaped by transport links that may themselves have been developed to serve the airport. Any policy shift would therefore need to be carefully designed to account for these interactions. • Introducing targeted reliefs or exemptions for infrastructure upgrades, ensuring investment is not penalised by higher rates. Precedent exists in sectors such as film. • Offering time-limited business rates holidays for newly developed or significantly upgraded infrastructure, encouraging upfront capital spending.
Infrastructure Investment Trusts (IITs)	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 3 (from a tax perspective) direct investment in UK infrastructure. This could form part of the National Wealth Fund initiative or be linked to Great British Energy investments. Many of the characteristics build on those already in place in the REIT regime, adapting for the existing tax treatment of infrastructure activities. The IIT removes the application of double taxation that can arise when investing through a corporate structure and 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.

	As for REITs, IITs could be traded, be institutionally owned or have 70% ownership by institutional investors. The Infrastructure Forum has produced a paper outlining how such a regime should be set up which can be viewed here
Tax Certainty	The government should prioritise releasing its response to its consultation on a new process to give major projects increased certainty in advance about the tax that applies. The Forum would urge government to: - Set out what level of certainty will be offered. By nature, clearances are likely to concern “grey” areas of tax. It must be clarified how the Government is going to get the correct governance in place to give views on judgmental areas of tax where there is not clear legislative or Court guidance in order to balance the different views between taxpayers and HMRC. - Ensure longevity of the clearances. Paragraph 4.23 incorrectly stated that “for some major projects the lifespan of the investment may extend beyond the five-year maximum clearance length proposed.” In reality, virtually all major infrastructure projects are likely to exceed five years in duration. - Ensure the binding nature of the ruling is optional for the taxpayer. The Forum’s full response to the consultation on <i>advance tax certainty</i> can be found here
Early-Stage Costs	At Budget 2024, the Government committed to a consultation on the treatment of early-stage development costs. This has not yet been launched, and its absence continues to create uncertainty for the sector. The Government has already acknowledged that this is an area where greater clarity is required. Progressing with a consultation would allow clear tax legislation to be developed, reducing the need for case law solutions such as Gunfleet Sands. The Gunfleet case highlights the extent of uncertainty currently facing

	investors. Such uncertainty risks discouraging investment in UK infrastructure, whereas well-designed legislation could provide the clarity and stability that the sector needs. The Forum therefore encourages the Government to bring forward this consultation at the earliest opportunity.
Tax Nothings	As the Treasury and HMRC are well aware there are a number of categories of expenditure incurred in relation to large infrastructure projects where tax deductions have been declared to not be available to investors. This position has been clarified in a number of recent tax cases. However this position puts the UK at a competitive disadvantage compared with international peers; it drives up the cost of projects, which in turn drives up the cost of the revenues that need to be charged to consumers, as well as introducing tax compliance risk and uncertainty which drives up the cost of funding – which also drives up the cost of revenues that need to be charged to consumers. It contributes to the cost differential between infrastructure projects in the UK versus our international peers. Investors are simply looking for tax deductions for legitimate business costs, and certainty over those deductions that they can include in their modelling. The tax depreciation regime could be modernised and updated to accommodate this need, which will drive down the cost of the delivery of infrastructure.
Full-Expensing Tweaks	Permanent full-expensing was a positive step for both the infrastructure sector and the wider economy. However, there remains significant potential for the Government to further incentivise investment in infrastructure by refining the regime. In its current form, many companies that invest in assets for the long term find full expensing not to be incentivising as it does not reduce the present value of tax burden when assessing the economics of a project. Introducing greater flexibility, such as the ability to spread the expense across multiple tax years, would direct the benefit to the companies that it is designed to incentivise.