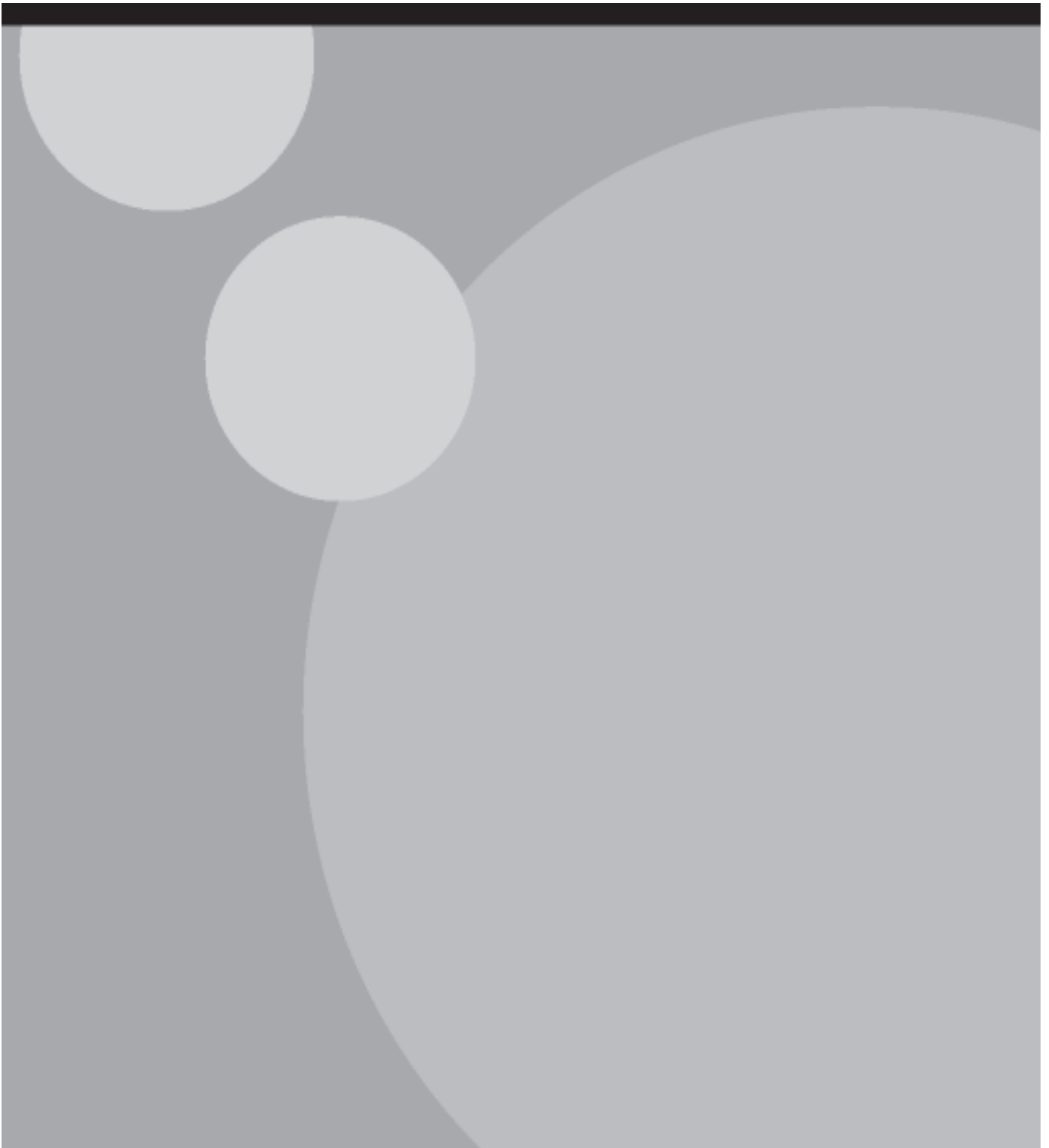


# The Community Infrastructure Levy

## Summary



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November 2010

ISBN: 978-1-4098-2538-8

*This document provides an introduction to the Community Infrastructure Levy.*

### **What is the Community Infrastructure Levy?**

The Community Infrastructure Levy is a new levy that local authorities in England and Wales can choose to charge on new developments in their area.

The money can be used to support development by funding infrastructure that the council, local community and neighbourhoods want – for example, new or safer road schemes, park improvements or a new health centre.

The system is very simple. It applies to most new buildings and charges are based on the size and type of the new development.

### **What are the benefits of the Community Infrastructure Levy?**

Local authorities should introduce the levy because it:

- delivers additional funding for them to carry out a wide range of infrastructure projects that support growth and benefit the local community
- gives them the flexibility and freedom to set their own priorities for what the money should be spent on – as well as a predictable funding stream that allows them to plan ahead more effectively
- provides developers with much more certainty ‘up front’ about how much money they will be expected to contribute, which in turn encourages greater confidence and higher levels of inward investment
- ensures greater transparency for local people, because they will be able to understand how new development is contributing to their community
- enables local authorities to allocate a share of the levy raised in a neighbourhood to deliver infrastructure the neighbourhood wants.

### **Who can charge and collect the levy?**

Most councils in England and Wales can charge and spend the levy: district and metropolitan councils; London borough councils; unitary authorities; national park authorities; the Broads Authority; the Council of the Isles of Scilly; and the Mayor of London. In Wales, county and county borough councils can charge, along with national park authorities. These bodies are known as charging authorities.

The levy is normally collected for the charging authority by the authority that grants planning permission.

In most cases this will be the charging authority itself. However, in cases where county councils grant planning permission, they collect the levy on behalf of the charging authority.

If the Mayor of London has a levy in place, London boroughs collect the levy on the Mayor's behalf.

Other bodies that grant planning permission can collect the levy if they and the charging authority agree on such an arrangement.

### **How will a charging authority set a rate for their levy?**

Charging authorities must produce a document called a charging schedule which sets out the rate for their levy.

The levy is intended to encourage development by creating a balance between collecting revenue to fund infrastructure and ensuring that the rates are not so high that they put development across the area at serious risk.

These rates should be supported by evidence, such as the economic viability of new development and the area's infrastructure needs.

The charging authority can set one standard rate or it can set specific rates for different areas and types of development.

Any differential rate must be justified by the economic viability of new development.

Charging authorities must consult their local communities – including local businesses and neighbouring authorities – regarding their proposed rates for their levy.

Anyone has the right to give their views on the formally published draft charging schedule.

It must also undergo a public examination by an independent person (for example, a qualified planning professional, such as a planning inspector, or a chartered surveyor) before the charging authority can formally approve it.

### **When will the levy be charged – and when won't it?**

The levy is charged on most new developments that involve an increase in floor space.

New buildings – or extensions to existing buildings – are liable for the charge if a charging schedule was in place when planning permission was granted.

The levy will not be charged if there is no extension of floor space as a result of the development.

Nor will it be charged on structures or buildings that people only enter for the purpose of inspecting or maintaining fixed plant or machinery.

Most developments under 100 square metres in area will not pay the levy, for example, a small extension to a house.

But development that involves the creation of a new residential unit (such as a house or a flat) will pay the charge, even if the unit is below 100 square metres in area.

### **Who is liable to pay the levy – and when?**

An individual or organisation (for example, the developer) may assume liability for payment of the levy. If no one assumes liability, the land owner is automatically liable for the charge.

If someone assumes liability, then they will be allowed to pay the levy within a specified extended period of time. However, if no one assumes liability the charge is immediately payable by the land owner as soon as development work starts.

### **How is the levy paid?**

The charge must be levied in pounds sterling (£) per square metre. It will be collected, in most cases, as a cash contribution.

But in some cases it may be more appropriate to transfer land to the charging authority as payment of the charge.

In such cases, a number of conditions must be met. In particular, the land must be used to provide – or facilitate the provision of – infrastructure to support development in the area.

### **What exemptions are there from paying the levy?**

There are three main types of relief from the levy:

- charitable relief – a mandatory exemption for a charity if it owns part of the land, and the development will be used wholly or mainly for charitable purposes
- social housing relief – a mandatory exemption for social housing
- exceptional circumstances – charging authorities have the option to offer relief in cases where the levy would have an unacceptable impact upon the economic viability of a development.

### **How will the levy affect planning obligations?**

Planning obligations (private agreements between the local planning authority and the developer) will continue to play an important role in helping to make individual developments acceptable to local planning authorities and communities.

For example, new affordable housing will continue to be delivered through planning obligations rather than the levy.

However, reforms have been introduced to restrict the use of planning obligations. Some of these have already come into effect and others will take effect from April 2014 – or as soon as a charging authority starts to charge the levy.

Most importantly, after April 2014, planning obligations can no longer be used as the basis for a tariff to fund infrastructure.

The levy will be used as the mechanism for pooling contributions from a variety of new developments to fund infrastructure.

### **Further information**

For further information and guidance please see the Communities and Local Government website: [www.communities.gov.uk](http://www.communities.gov.uk)