



Land Remediation Tax Relief

The Basics

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What is Land Remediation tax relief?

Land remediation relief provides tax relief in all commercial property sectors on revenue and expenditure incurred in restoring land to its original state due to contamination in soil and water, posing any significant threat to human health or the environment.

This relief can be claimed on past developments and can add value to future projects.

What relief is available?

Companies that acquire contaminated or derelict land for the purposes of their trade or UK property business can claim an enhanced deduction of 50% or 150% for clean-up costs.

The rate of relief that can be secured depends upon the status of the company claiming the relief, summarised below:

Owner occupier/investor rate – 150%

Developer rate – 50%

For loss making companies, a tax credit (cash in hand) can be claimed – 24%.



Qualifying expenditure

Qualifying land remediation expenditure is defined as:

- expenditure on land which is in a contaminated state
- expenditure on relevant land remediation directly undertaken by the company or on its behalf
- expenditure incurred on employee costs and materials or is qualifying expenditure on sub-contracted land remediation
- expenditure that would not have been incurred if the land had not been in a contaminated state
- non-subsidised expenditure.

Relevant land remediation is costs incurred for the purpose of:

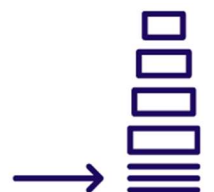
- preventing, minimising, remedying, or mitigating any harm, or pollution of controlled waters, by reason of which the land is in a contaminated state, or
- restoring the land or polluted waters to their former state.



To restore the land to a safe place would include removal of contaminated soil and water, the treatment of harmful organisms, the removal of natural contaminants (for example, radon and arsenic), the removal of buried structures, and the removal and treatment of invasive plants (such as Japanese Knotweed).



The relief is also available for the removal of asbestos from buildings, post-tensioned concrete, building and machinery foundations, below ground redundant services, and reinforced concrete basements.





Conditions

To qualify for Land Remediation Relief the following must apply:

- the land must be in the UK;
- the land must be acquired by the company for the purposes of its trade or property rental business;
- on acquisition of the land, all or part of the land was in a contaminated state; and
- a company is not entitled to land remediation relief if any of the land is in a contaminated state because of something done, or not done, at any time by the company.

Exclusions



Where a company (or a person with a relevant connection) is treated as the polluter then that company cannot claim Land Remediation Relief on any part of the cost of cleaning up that site.

Other exclusions are:

- the expenditure has already been subsidised, for example by grant funding;
- the acquisition cost of the land was specifically discounted in order to account for the cost of remediation works and stated as such in the purchase agreement.

Qualifying land remediation loss – examples

Example 1 – Profit making Company

Assume that a trading profit is made in the sum of £500,000, which includes land remediation expenditure of £100,000.

Trading profit before LRR	500,000
Land remediation costs	100,000
Extra deduction (50%)	50,000
Tax relief at £150,000 x 19% **	28,500

** This equates to tax savings at 28.5% on the original LRR costs of £100,000

Example 2 – Loss making Company

Assume that a trading loss is made in the sum of £500,000, which includes land remediation expenditure of £100,000.

Trading loss before LRR	500,000
Land remediation costs	100,000
Extra deduction (50%)	50,000
Tax credit at £150,000 x 16% **	24,000

** This equates to a 24% tax credit on the original expenditure of £100,000



Is there a time limit?

The time limit for retrospective claims is up to 3 years.

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We have the skills essential to achieve a 100% claims record and we have used our expertise to generate claims that total over £300,000,000.



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