

# Land Remediation Relief

Land Remediation Relief (LRR) is often missed by businesses who are spending money on the remediation of land. With the increasing amount of development on brownfield sites, this can be a significant cost, but many of these activities would qualify for LRR and lead to cash savings.

LRR can improve your company's cashflow by reducing its tax liability and, in some cases, by obtaining a tax repayment. This relief is available on qualifying expenditure on land or buildings in the UK that have been acquired by a company from an unconnected business and, at the time of acquisition, this land was in a contaminated or derelict state (i.e. the claimant cannot have contaminated it).

## Benefits

This takes the form of an additional tax deduction calculated as 50% of qualifying costs and provides an effective cash tax benefit of 9.5%. If the costs have been capitalised, the additional tax deduction is the entire 150%, thus providing a net benefit of 28.5%.

For loss making companies, a cash credit of up to 24% (which equates to a rate of 16p per £1 on the enhanced expenditure) is available.



## Example

A company spends £100,000 on qualifying land remediation that is expensed to the P&L. In addition to the standard tax relief for the expenditure, it can claim relief on an additional £50,000 ( $£100,000 \times 50\%$ ). Assuming a tax rate of 19%, this results in a £9,500 tax saving. If the costs had been capitalised, there would have been a total £28,500 ( $£150,000 \times 19\%$ ) saving.

## Qualifying Costs

You can claim relief on costs whether they have been expensed through the Profit & Loss account or capitalised. The main areas of costs that can be claimed are:

- Staff costs (gross pay, employer's NI, employer's pension contributions and certain reimbursed expenses) of employees engaged in carrying out the remediation.
- Subcontractors/freelancers;
- Certain professional fees
- Materials used



## What is contamination?

Land or buildings are contaminated if, as a result of industrial activity, there is contamination present that causes or could cause “relevant harm”, i.e. significant adverse impact on the health of humans or animals, or damage to buildings that would impact on the way that the building is used.

Relief is available on costs for establishing the level of contamination, and then removing or containing it such that it can no longer cause relevant harm.

The contamination must have been present when the land was acquired and it must be from industrial activities, or from arsenic, radon or Japanese knotweed. Examples of remediation include:

- The installation of a membrane, or extra thick topsoil, to prevent soil contaminants reaching the surface.
- Removal of oil following a leakage from storage.
- Eradication of Japanese knotweed at a site.
- Removal or safe containment of asbestos.

The relief also covers remediation of land in a derelict state (i.e. land that is not in a productive state and cannot be put into a productive state without the removal of buildings or other structures). To qualify for this element of the relief, the expenditure must be on relevant preparatory work (e.g. establishing the nature and condition of the structures) or on the removal of the following:

- Post tensioned concrete heavyweight construction.
- Building foundations and machinery bases.
- Reinforced concrete pilecaps.
- Reinforced concrete basements.
- Below ground redundant services.

Note that if the removal does not take place, the preparatory work is not eligible.



## Why TMB Tax Consultancy?

The tax relief available is generous, but claims must be properly made to ensure they meet HMRC requirements. HMRC will review all claims carefully - so it is important to work with experienced tax advisors to ensure any claim meets the necessary criteria.

TMB Tax Consultancy can assist by ensuring that all activities that could qualify for the relief are identified, assessed, documented and where appropriate, claimed. Tom Byng has over 20 years' experience of claims for a variety of industries, although primarily in the construction industry.



## Contact us

If you would like more details regarding the above, please contact Tom Byng at [tbyng@tmbtax.co.uk](mailto:tbyng@tmbtax.co.uk).