

Take advantage of Land Remediation Relief

Companies may be eligible for up to 50 per cent tax relief on qualifying remediation expenditure as a trading expense, in the same year that expenditure is incurred, thanks to Land Remediation Relief (LRR).

This tax relief relates to any remediation costs involved in improvements to contaminated land, including:

- the removal of asbestos from buildings
- breaking-out buried structures
- the treatment of harmful organisms and naturally occurring contaminants, such as Japanese Knotweed, radon and arsenic.

Land is considered contaminated if there is something in, on or under the land that causes relevant harm, or if there is a serious possibility that relevant harm could be caused in future.

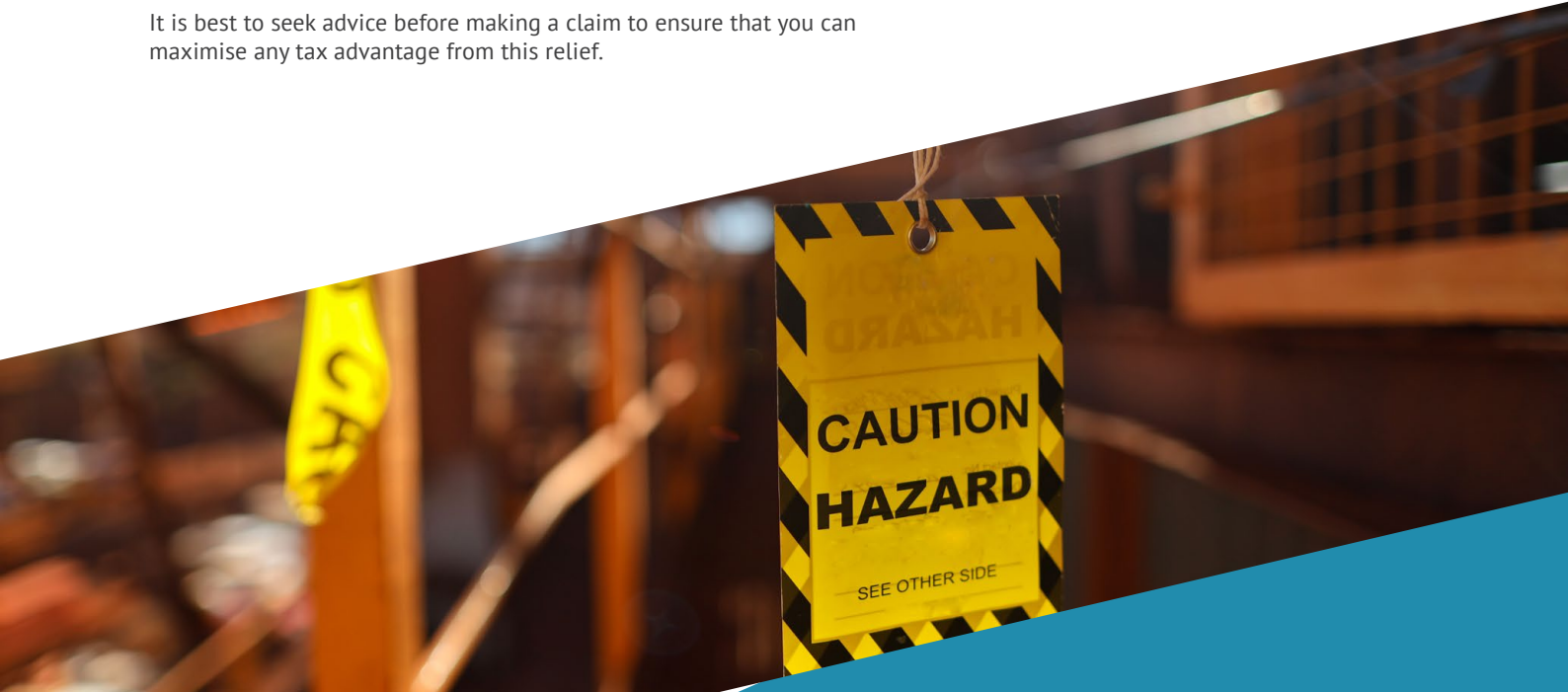
The tax benefits

Under LLR, taxable profits are reduced, which in turn reduces a business's Corporation Tax liability for the year.

The amount of tax relief available differs depending on the company making a claim, as follows:

- owner-occupiers or property investors can receive 150 per cent Corporation Tax relief
- developers can receive Corporation Tax relief of 50 per cent
- loss-making companies can receive a 24 per cent tax credit on qualifying expenditure.

It is best to seek advice before making a claim to ensure that you can maximise any tax advantage from this relief.



Eligibility

The relief only applies to businesses and not to individuals or partnerships.

Companies that are a member of a partnership can, however, make an election in respect of its share of the partnership's land remediation expenditure, provided they are eligible.

A company may also be excluded from the relief if:

- it has already claimed capital allowances on the same expenditure; and/or
- it is the original polluter or is connected to the original polluter.

The relief can only be used for land in the UK that is, or was, acquired by the company for its trade or property business, and at the time the company acquired the land at least part of it was in a contaminated or derelict state.

The company must also have incurred revenue or capital expenditure on qualifying land remediation work in respect of the contaminated or derelict land.

Qualifying expenditure

Qualifying expenditure includes contaminated land costs, which are defined as those incurred in, "preventing, minimising, remedying or mitigating any harm or pollution of land or controlled waters, by reason of which the land is in a contaminated state, or restoring the land or controlled waters to their former state".

This could include:

- employment costs
- materials
- sub-contracted costs incurred from both connected and non-connected companies
- professional fees incurred for advice on how to remediate the contaminated land.

Next steps

- 1** Businesses must first identify whether they can claim by undertaking an eligibility check.
- 2** Once they have confirmed that they can use the relief they must identify the qualifying costs by conducting a site investigation, soil reports, providing details of works undertaken or quotes and a final account.
- 3** These records must then be checked to determine if there are any qualifying costs or items for LRR.
- 4** Using this information, a business or its agents should then be able to prepare a report for submission to HMRC as part of the company's regular Corporation Tax return.

Making the claim

A company can only claim land remediation relief for qualifying revenue expenditure in the accounting period where the expenditure is deducted in calculating the profits.

For those that hold land as work-in-progress (WIP) in their accounts during the development of a site, remediation costs should only be released to the profit and loss account when a claim for land remediation relief becomes available.

A company, carrying on a trade or property business, can also elect that capital expenditure on qualifying land remediation to be allowed as a deduction in computing their taxable profits. This is permitted in the tax computation for the accounting period in which the capital expenditure from the remediation is incurred.

How Davis Grant can help

Determining eligibility and making a claim for LRR can be complex. You should, therefore, seek professional advice to ensure that your company achieves the maximum benefit from the claim.

We have helped a number of businesses take advantage of this generous tax relief. To find out how we can assist you and your company in making a claim, please contact us.

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