Land Remediation Relief Updated 09.01.24

Commercial property owners, investors and developers can claim a valuable tax relief on qualifying expenditure associated with the decontamination of land and buildings.

What is Land Remediation Relief?

Land Remediation Relief is a tax relief from corporation tax on the expenditure incurred by companies in cleaning up land in a contaminated or derelict state that has been acquired from a third party.

What relief is available?

Land Remediation Relief provides a deduction of 100% plus an additional deduction of 50% against corporation tax for qualifying expenditure. A business can claim Land Remediation Relief either by:

- Reducing taxable profits by 150% of its qualifying expenditure; and
- Surrendering losses for a tax credit at 16%. (This is a cash return of 24% of qualifying expenditure).

What is contamination?

Land and building are deemed to be 'contaminated' if, as a result of industrial activity there is contamination present which could cause 'relevant harm'. The tax relief is available for a number of decontamination measures on both land and buildings.

This includes the 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

As you would expect, the relief does come with conditions. To qualify for the relief, money must have been spent on the following:

- Land that is contaminated, which the Government define as 'causing harm', 'has the serious possibility of causing harm', or 'is causing or has the possibility of causing harm to groundwater, streams, rivers and coastal waters'.
- The land is in the UK.
- The land was acquired by the business for the purpose of its trade or business.
- The cost of remediation would not have been incurred if the land was not contaminated.

There are also clear guidelines on what is considered qualified expenditure with regard claims. The main qualifying activities are:

- Preparatory activities, including consultancy fees, risk assessments, lab costs and regulatory liaison costs.
- Capital expenditure, including the cost of plant and machinery.
- Employment and labour costs.
- Sub-contractor costs

Exclusions

The relief does come with some exclusions, most notable that if the contamination was caused by the claiming company.

Other exclusions are:

- The expenditure for decontamination is subsidised, for example by grant funding; and
- The acquisition cost of the land was discounted because of the contamination.

Time limits and making a claim

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

This newsletter is written for general interest only and is not a substitute for consulting the relevant legislation or taking professional advice. The authors and the firm cannot accept any responsibility for loss arising from any person acting or refraining from acting on the basis of the material included herein.

If you have any questions please contact:

Liam Henry
Principal
01923 634416
liam.henry@hhllp.co.uk

Simon Cyna
Mixed Tax Supervisor
+44(0)1923 634 258
simon.cyna@hhllp.co.uk

Offices

London
Milton Keynes
Watford

Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales.