



TAXAND

## CAPITAL ALLOWANCE SERVICES

# How to maximise Land Remediation Relief claims

## What is Land Remediation Relief (LRR)?

Land Remediation Relief is an enhanced corporation tax relief of 150 percent for qualifying expenditure on cleaning up contamination in land or buildings.

**It is available to all UK companies, as well as non-resident landlords (as of 6th April 2020).** Land Remediation Relief is available for both capital and revenue expenditure and applies to residential and commercial properties. The relief can generate significant savings on development projects involving contaminated or derelict sites for property owners, investors and developers.

### Who can claim this tax relief?

LRR provides revenue deductions of up to 150 percent of the qualifying expenditure, as follows:

- Owner-occupiers / investors: 150 percent – 2 year time limit
- Developers: 50 percent (in addition to the usual 100 percent revenue deduction) - 4 year time limit from when the property is sold
- Loss-making companies: 24 percent cash tax credit

Time limit – **if you don't claim within the period, the relief will be lost.**

### Land Remediation Relief is available for the removal of contamination arising from:

- Asbestos
- Japanese knotweed
- Lead, copper, zinc & other heavy metals
- Sulphurous materials & hydrocarbons
- Radon & arsenic

To qualify for the tax relief, the expenditure must be related to the remediation works. Some examples of qualifying costs may include labour (including subcontracted work), plant and equipment, materials, surveys, professional fees, design changes and project delay costs.

### Several conditions must be met in order to claim the relief, such as:

- The land must have been acquired from a third party in a contaminated state
- The claimant company (or connected party) was not in any way responsible (by action or inaction) for causing the contamination
- A significant interest in the land (i.e. freehold or leasehold of 7 years minimum) must have been held when the expenditure was incurred
- No subsidies or grants were received for the remediation works, nor was the acquisition cost of the land discounted due to the contamination

## Significant tax savings can be made



**Example: For every £500k spent on remediating contaminated land, a LRR claim will result in a cash tax saving of:**

- Owner/occupiers: **£142k**
- Developers: **£47k** (in addition to the usual **100 percent** revenue deduction)
- Loss making companies: up to **£120k** cash tax credit

**This equates to a recovery of up to 29 percent of total qualifying project costs.**

### Bid/budget stage

If the relief and resultant cash savings are factored into appraisals at the bid stage, prospective property purchasers may be able to enhance their bid accordingly. Similarly, it can be factored into the budget of a construction project so that the cash savings can be invested back into the project.

### Boost cash flow and improve profitability

Claiming the relief will reduce the company's tax bill in that year, meaning cash will be retained in the business. Loss making companies will receive a cash tax credit paid to them directly by HMRC.

#### Our service includes:



- Ensuring all legislative claim entitlement conditions are met by reviewing the relevant legal and contractual documents, along with the environmental survey reports
- Working with the project and finance teams to capture all qualifying expenditure and maximise the claim



- Undertake site surveys to document evidence for the claim and prepare a detailed report suitable for submission to HMRC
- Complete formal written elections required by HMRC
- Reconcile the claim to the project cost information and fixed asset ledgers
- Negotiate and agree on the claim with HMRC

### A&M's LRR Service

Our dedicated Capital Allowances team has extensive experience preparing Land Remediation Relief claims. With backgrounds in tax, accounting and surveying, we can ensure maximum recovery of project costs, providing valuable cash flow benefits for both investors and developers.

### For more information, please contact:



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### About Alvarez & Marsal Taxand

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