

Land Remediation Tax Relief

Roche Associates

Capital Allowances & Tax Solutions

Land Remediation Tax Relief (LRTR) was introduced by the government as an incentive to clean up contaminated brownfield development sites. **Up to 150% of the costs of qualifying remediation works can be set against profits.**

The issue

- The cost and complexity of remediating contaminated sites has historically been a barrier to development.
- Current policy on development land means that ignoring these sites is no longer an option.
- The recent Landfill Directive has seen **remediation costs increase by as much as 5 times** in the last few years.
- Where LRTR is already being considered, claims are poorly constructed, often undervaluing the relief available.

The relief

- LRTR is available to both investors and developers in all commercial markets including the residential sector.
- LRTR is available as either a deduction from profits or as a tax credit where the business is loss making.
- The relief represents **cash savings of up to 45% for investors and 15% for developers** on qualifying expenditure.
- The relief applies to buildings as well as land.

Our approach

- We are a team of tax qualified property professionals with Big 4 accountancy experience at senior levels.
- We have the right combination of skills to understand the tax, accounting and development issues that arise in remediation projects.
- We work **with** your existing tax and project advisers in a highly specialised capacity.
- We offer a complete solutions based service from transaction, feasibility and entitlement reviews through to report preparation and securing the best possible claims with HM Revenue & Customs.

The detail

- The relief is available to **companies** that have acquired contaminated land in the UK as part of their trade.
- A company is denied relief if they are responsible for the contamination.
- Examples of pollutants include asbestos, pesticides, heavy metals, PCBs, solvents, petrol, diesel, etc.

The numbers

For an Investor incurring **qualifying remediation expenditure of £200,000:**

| | With LRTR £ | With no LRTR £ |
|---|------------------|-------------------|
| Profits | 1,000,000 | 1,000,000 |
| LRTR (150%) | <u>(300,000)</u> | |
| | 700,000 | |
| Tax payable (at 30% large companies rate) | 210,000 | 300,000 |

A 45% cash saving of £90,000

How we can help

- If LRTR is considered prior to acquiring or disposing of a property, the potential claim quantum can be incorporated into the transaction strategy.
- The costs of cleaning up contaminants from an old refuse tip on a residential development site may qualify for LRTR.
- The costs of remediating an old petrol station site for commercial property may qualify for LRTR.
- Where asbestos is found in an existing building either prior to demolition or otherwise, LRTR may be available on the removal of the contaminant and associated costs.

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