



Land Remediation Relief

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Land Remediation Relief

What is the benefit to the client?

- Expenditure on asbestos removal, remediation works, surveys etc qualifies for enhanced tax relief.
- Client can claim up to 150 % of the costs to reduce their tax liability.
- Where the above claim results in a tax loss, the client can claim a tax credit (repayment) equal to 16 % of the loss (even where no tax has been paid).

Example:

- Actual asbestos costs total £100k, LRR is worth 150 % = £150k
- Corporation Tax saved = £150k @ 19 % = £28.5k
- Net cost of project = £100k - £28.5k = £71.5k (28.5 % reduction)

Land Remediation Relief

Why is there an opportunity for us?

- LRR introduced in 2001 but little publicised.
- Intended as incentive to:
 - Clear contaminated land
 - Remove cost barriers and influence behaviour
 - Increase supply of developed land to meet housing needs
- Not many clients will be aware of the relief and therefore no claims have been made in many cases.
- Reduce the overall cost of the project for the client, which gives us a competitive edge over others bidding for the same works.
- We can assist the client with preparation of the LRR report to satisfy HMRC.

Who qualifies for LRR?



Must be a UK company subject to Corporation Tax.

Companies that qualify:

- Owner occupiers (own trading premises)
- Investors or developers
- Corporate partners of LLPs
- Life assurance companies
- REITs



Entities that don't qualify include:

- Pension funds
- Private individuals
- Local authorities and public bodies (unless corporate entity)
- Schools

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What are the main conditions?

- Land/buildings must be in UK and it must have been acquired for the purpose of client's own business or property rental (investment).
- Client must be freeholder or long leaseholder (ie 7 years+).
- Expenditure cannot be subsidised (eg through grants, compensation, insurance etc).
- The land/buildings must have been contaminated at time of acquisition from previous industrial activity.
- Neither the client or any person connected with the client can be responsible for the contamination.
- The client must incur qualifying expenditure, eg asbestos removal.
- The land must not be a nuclear site.

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What expenditure qualifies?

- Preparatory costs, risk assessments, etc.
- Staffing/employee costs.
- Materials.
- Services contracted out.
- Sub-contracted expenditure:
 - Asbestos removal
 - Remediation works.
 - Survey fees.
 - Professional fees, environmental consultant

Types of LRR Claim

Investors (eg landlords) and owner/occupiers::

- Claim in year of expenditure.
- Time limit 2 years from end of period.
- LRR rate is 150 % of qualifying costs.
- Net cost to client is 71.5 %

Developers:

- Claim in year of expenditure or sale of property.
- Time limit 4 years from end of period.
- LRR rate is 50 % of qualifying costs.
- Net cost to client is 90.5 %

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How is it claimed?

- Claim is made through client's company tax return following end of accounting year.
- Report prepared to show details of the qualifying expenditure and LRR calculation, which is attached to the tax return for agreement with HMRC.
- Profitable client can claim reduction in tax per previous slide.
- Loss making client can instead claim tax credit (repayment), for example £100k of qualifying expenditure @ 150 % LRR = £150k, tax credit claimed at 16 % x £150k = £24,000.

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Changes to the Corporation Tax

Reductions in net cost	Tax rate 19%	Tax credit (rate 16%)	Tax rate 25%	Tax credit (rate 16%)
Investor/Landlord	28.5 %	24 %	37.5 %	24 %
Owner Occupier	28.5 %	24 %	37.5 %	24 %
Developer	9.5 %	8 %	12.5 %	8 %

Interested in finding out more?



We can review your eligibility, manage your application and reduce your tax liability in seven simple steps...



