



Land Remediation Relief (LRR)

Land Remediation Relief allows businesses to claim relief of 150% of the clean-up cost from corporation tax for contaminated land, not caused or knowingly allowed by the company claiming, if the land is :

- ▶ located in the UK
- ▶ was acquired by the company to carry out its trade
- ▶ at the time it was acquired all or part of it was contaminated
- ▶ the contaminants are present as the result of industrial activity (although the Government is proposing to allow claims for the removal of naturally occurring radon and arsenic)

To qualify for tax relief the money spent on remediation must meet the following criteria:

- ▶ it is spent on land which is contaminated
- ▶ it is spent on remediation as defined by the HMRC
- ▶ it is spent on paying employees and buying materials or is spent on sub-contractors as defined by HMRC
- ▶ it would not have been spent if the land was not contaminated
- ▶ the cost was not subsidised by anyone else

The main qualifying expenditures relevant to the Company's activities are:

- ▶ preparatory activities, e.g. consultancy fees associated with site investigations, risk assessments, development of remediation strategies and regulatory liaison, as well as laboratory costs. Note that preparatory activities can only be claimed for if the site is shown to be contaminated and is subsequently remediated
- ▶ capital expenditure and employee cost, for example capital cost expenditure on equipment and materials required as part of the remediation strategy (e.g. gas membranes) and Company employee time spent on dealing with contamination issues
- ▶ sub-contractor expenditure, e.g. all costs associated with remediation contractors, as well as consultants fees during the remediation phase and laboratory costs

What is contamination?

Land or buildings are contaminated if, as a result of industrial activity, there is contamination present that causes or could cause "relevant harm", i.e. significant adverse impact on the health of humans or animals, or damage to buildings that would impact on the way that the building is used.

Examples of remediation include:

- ▶ the installation of a membrane, or extra thick topsoil, to prevent soil contaminants reaching the surface.
- ▶ removal of oil following a leakage from storage.
- ▶ eradication of Japanese knotweed at a site.
- ▶ removal or safe containment of asbestos.

There is also a more recent extension to cover remediation of land in a derelict state (i.e. land that is not in a productive state and cannot be put into a productive state without the removal of buildings or other structures). To qualify for this element of the relief, the expenditure must be on relevant preparatory work (e.g. establishing the nature and condition of the structures) or on the removal of the following:

- ▶ Post tensioned concrete heavyweight construction
- ▶ Building foundations and machinery bases
- ▶ Reinforced concrete pilecaps
- ▶ Reinforced concrete basements
- ▶ Below ground redundant services

The land remediation tax relief is claimed for in the Company's corporation tax returns. If the Company makes a loss because of spending money on cleaning up land, a tax credit of 16% can be applied for.

Example:

A company incurs qualifying land remediation expenditure of £50,000 in an accounting period, hence the company can claim land remediation relief of £75,000 (150%) and the tax credit payable is £12,000 (£75,000 x 16%).

A full set of manuals can be obtained from HM Revenue & Customs at:
www.hmrc.gov.uk/manuals/cirdmanual/CIRD60000.htm