

## Land Remediation Relief

### What is land remediation relief?

Land remediation relief entitles a company to:

- Claim an additional 50% relief for qualifying remediation expenditure when calculating its trading or schedule A profit/loss
- Elect that capital expenditure on qualifying land remediation expenditure is allowed as a deduction when calculating its trading or schedule A profit/loss
- Receive a payable tax credit in exchange for the 'qualifying land remediation loss' surrendered.

The relief is not available to individuals or partners, though a company that is a member of a partnership can claim relief in respect of its share of the partnership's qualifying land remediation expenditure, providing it meets the relevant conditions.

#### *Examples*

##### Example 1

A company acquires contaminated land as trading stock of its trade. The company incurs £100,000 of qualifying remediation expenditure in its accounting period that is allowable revenue deduction in its profit and loss account. The company is eligible to claim a further £50,000 deduction in its tax computation, giving a total enhanced deduction of £150,000 for the accounting period.

##### Example 2

A company acquires contaminated land as a fixed asset of its trade. The company incurs £50,000 capital expenditure on qualifying land remediation in an accounting period. Providing the company elects for the capital deduction to be allowed as a deduction for tax purposes, it can claim a further £25,000 deduction, giving a total enhanced deduction of £75,000 for the accounting period.

### Do we qualify?

To qualify for land remediation relief the following must apply:

- the land must be in the UK, and
- the land must be acquired by the company for the purposes of its trade or schedule A business, and
- on acquisition of the land, all or part of the land was in a contaminated state, and
- the company incurs qualifying land remediation expenditure on the contaminated land.

A company is not entitled to land remediation relief if any of the land is in a contaminated state as a result of something done, or not done, at any time by the company or a person with a relevant connection to the company.

### What is the definition of contaminated land?

The definition of contaminated land is where there are substances in, on or under the land which are causing harm, or could possibly cause harm, pollute, or possibly pollute controlled waters.

### What expenditure is eligible?

Qualifying land remediation expenditure is defined as:

- expenditure on land which is in a contaminated state
- expenditure on relevant land remediation directly undertaken by the company or on its behalf
- expenditure incurred on employee costs and materials, or is qualifying expenditure on sub-contracted land remediation
- expenditure that would not have been incurred if the land had not been in a contaminated state
- non-subsidised expenditure.

Relevant land remediation is costs incurred for the purpose of:

- preventing, minimising, remedying or mitigating any harm, or pollution of controlled waters, by reason of which the land is in a contaminated state, or
- restoring the land or polluted waters to their former state.

#### **How can we claim a tax credit?**

A company that incurs a loss in its trade or schedule A business and has incurred qualifying land remediation expenditure in an accounting period can surrender that loss, in total or in part, in return for a land remediation tax credit.

The amount of the loss that can be surrendered for a land remediation tax credit is the lower of:

- the amount of the company's unrelieved trading or schedule A loss for the accounting period, and
- 150% of the qualifying land remediation expenditure for that period.

Any losses not surrendered are carried forward and set off against profits of the same source in later accounting periods.

The company can surrender its losses for an amount equal to 16% of those losses.

For further information, or to find out how we can assist your business visit: [www.jamescowper.co.uk](http://www.jamescowper.co.uk)

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