



Land remediation relief

Only available to limited companies, Land Remediation Relief provides a corporation tax deduction of 100%, plus an additional deduction of 50%, for **qualifying expenditure** incurred in cleaning up land acquired from a third party in a **contaminated state**.

The relief is available in respect of both commercial and residential developments and can be claimed for contamination caused by industrial activity and for specific natural issues such as radon, arsenic or Japanese knotweed. The relief is also available for specific expenditure on bringing derelict land back into productive use. One of the most common causes for claiming the relief is asbestos.

Is the land in a contaminated state?

Land or buildings are in a contaminated state if there is contamination present as a result of **industrial activity** such that:

- it is causing relevant harm; or
- there is a serious possibility that it could cause relevant harm; or
- it is causing, or there is a serious possibility that it could cause, significant pollution in the groundwater, streams, rivers or coastal waters.

“Relevant harm” includes significant adverse impact on the health of humans or animals or damage to buildings that has a real impact on the way the building is used.

“As a result of industrial activity” means that the land must have been contaminated **due to** an industrial activity; it does not mean that the land must have been used for an industrial activity itself.

Industrial activities include mining, quarrying, construction, manufacturing and the supply of electricity, gas and water.

For example, asbestos is present in a building as a result of industrial activity (the construction industry), even if the building is used as a shop or office.

Qualifying expenditure

Qualifying expenditure includes the cost of establishing the level of contamination, removing the contamination or containing it so that the possibility of relevant harm is removed. There is, however, no relief if the remediation work is not carried out.

Land Remediation Relief is available for both capital and revenue expenditure. However, the company must elect, within two years of the end of the accounting period in which the expenditure is incurred, to treat qualifying capital expenditure as a deduction in computing taxable profits.

How the relief works

In addition to the deduction for the cost of the land remediation, the company can claim an additional deduction in computing its taxable profits. This additional deduction is 50% of the qualifying expenditure. A company can claim this additional deduction at any time within the general time limit for claims under Corporation Tax Self-Assessment. HMRC does not specify any particular form for the claim; a computation reflecting the claim and submitted in time is sufficient. The 50% additional relief is given in the same period as the actual expenditure is charged to the profit and loss account.

A company that makes a loss can surrender the part of the loss that is attributable to Land Remediation Relief in return for a cash payment (a tax credit) from the Government. The current rate of tax credit is 16%.

A claim for a Land Remediation Tax Credit must be made in a CT self-assessment or amended self-assessment. The time limit for the claim is the first anniversary of the filing date for the relevant company tax return.

Further information

An overview of the scheme, with links to more detailed guidance and advice specific to Japanese knotweed, radon and arsenic, can be found here: <https://www.gov.uk/hmrc-internal-manuals/corporate-intangibles-research-and-development-manual/cird60015>