

Planning to Claim Land Remediation Tax Relief? — The Clock is Ticking

Introduction

Following the review of tax reliefs undertaken by the Office of Tax Simplification and the subsequent report published in March 2011, the government announced that it intends, following consultation, to abolish land remediation relief. The arguments are that the tax relief is not driving behaviour, is not being cost effective and that remediation is carried out anyway as a normal part of construction.

The consultation period is now well under way with Davis Langdon, An AECOM Company, involved in the process working with the Home Builders Federation, the EIC and CL:AIRE. The first consultation paper was issued at the end of May, which stated that the government intends to legislate so that the relief will not be available for expenditure incurred on, or after 1 April 2012.

This seems contrary to the original Budget announcement, which stated that this relief would be “abolished after 2012 in future Finance Bills or other legislative vehicles.” The original statement seemed to suggest that “after 2012” would mean 2013 at the earliest. However the consultation document clearly states 1 April 2012, meaning the window of opportunity is shorter than originally envisaged.

The proposal is that for expenditure incurred before 1 April 2012, a company would continue to be able to claim the land remediation relief for revenue expenditure in the accounting period where the expenditure is deducted in calculating the profits in accordance with accepted accounting principals up to 1 April 2017. Consultation responses are still sought on transitional arrangements up to 31 August 2011.

By removing the relief the government seems to have dismissed its brownfield redevelopment initiative. It will become less attractive to build on brownfield sites as the costs of development increase and the risk also increases with no end benefit for the developers. It may be true that some construction projects have been undertaken without consideration of the available tax relief's, but it is also possible that projects that would have involved remediation and decontamination of harmful substances will no longer be viable once the relief is removed.

It seems clear that the clock is ticking if companies wish to claim the additional relief. Any companies that have acquired contaminated land, or buildings that are to be demolished prior to redevelopment, with a view to utilising this valuable relief need to consider their programmed expenditure.

The timing of the proposed abolition ties in with the removal of landfill tax exemption. No new sites have been allowed to apply for the exemption since 30 November 2008 and existing exemption certificates expire on the 31 March 2012.

This effectively removes any tax relief for contaminated land after 1 April 2012, so it appears that now is the time to accelerate any planned expenditure to take advantage of the land remediation relief before the abolition date and to ensure that existing landfill tax exemptions are fully utilised before the end of March 2012.

Key dates:

Land remediation tax relief — expenditure after 1 April 2012 will not qualify.

Landfill tax exemption — certificates expire on 31 March 2012.

If you have any queries on the consultation process, or any of the issues raised in this briefing, please contact our specialist below. Information on other property tax related topics can also be found on our website at <http://bankingtaxfinance.davislangdon.com>.

Robert Jones
T: +44 (0)121 710 1309
M: +44 (0)7980 236441
robert.jones@
davislangdon.com

Program, Cost, Consultancy
<http://bankingtaxfinance.davislangdon.com>
www.davislangdon.com
www.aecom.com

Whilst every effort has been made to ensure accuracy at time of publication, dated August 2011, information may be subject to legislative changes and may not reflect individual circumstances. Recipients should, therefore, not act on any information without seeking professional advice.