

Beacon

Invasive Plant Intelligence

Authored by
leading invasive
plant experts,
Environet

Land Remediation Tax Relief can generate significant savings for developers of brownfield sites contaminated with Japanese knotweed.

We explain how.

Introduced in 2001, Land Remediation Tax Relief (LRTR) is designed to encourage the redevelopment of more challenging brownfield sites by assisting developers with the cost of dealing with contamination such as asbestos, radon and – since 2009 – Japanese knotweed.

The legislation permits any expenditure that prevents, minimises, remedies or mitigates the risk of any significant harm being done to people, property or the wider environment. This harm, or potential to cause harm, must be as a result of a substance or substances in, on or under the land to be applicable.

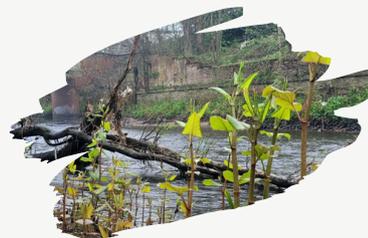
KEY LINKS 

Commercial solutions

Xtract

How do I qualify for LRTR?

- You must be a UK Corporation Taxpayer.
- You must not be the polluter, i.e., the party responsible for the knotweed infestation – or connected to the polluter.
- The knotweed must cause, or have the potential to cause, significant harm to future occupants or the ecosystem, including watercourses.



- The taxpayer must have a 'major interest' in the relevant land being either the freehold or a lease with at least 7 years remaining.
- You must use an on-site remediation method. Offsite works or removal to landfill are excluded from LRTR.



An affected brownfield site

Lost savings

Many companies, unaware that LRTR exists and failing to claim, are missing out on vast savings that could dramatically improve the financial viability of a brownfield redevelopment.

LRTR is available up to 150% of the qualifying land remediation expenditure, which can yield savings of between 9.5% and 28.5% based on 19% standard rate of Corporation Tax, and 12.5% and 37.5% for those paying 25% Corporation Tax. For developers, trading in property, that's an additional deduction of 50% for qualifying expenditure, over and above their base cost of the project (the 100%). For investors, holding property in the longer-term, they will get relief at 150% of their qualifying expenditure - cleaning up contaminated land acquired from unconnected third parties.



Whilst it can even be claimed retrospectively, the precise timing varies depending upon the nature of the expenditure (capital or revenue) and the project itself. Yet a lack of understanding of the relief and uncertainty over the qualifying criteria has meant that millions of pounds worth of corporation tax savings go unclaimed each and every year.

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On-site remediation of knotweed

The tax relief only applies to on-site remediation of knotweed, which is also more cost-effective and far better for the environment. With increasing numbers of developers committing themselves to new and ambitious Net Zero pledges, reducing the environmental impact of knotweed removal by tackling the problem sustainably on-site, with no landfill or chemical use, sits comfortably within developers' sustainability strategies. Any costs incurred on the removal of knotweed material from site, e.g. removed to landfill, such as through traditional 'dig and dump' methods, are NOT eligible for tax relief.



Xtract™ in action

Qualify for tax savings using Xtract™

The most eco-friendly on-site remediation method available is Xtract™, our patented process for eradicating knotweed from construction sites which allows us to remove just the viable rhizome, thereby avoiding the need to consign vast quantities of soil to landfill.

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Xtract™

The zero-waste solution explained

This zero-waste process involves screening the infested soil using Xtract™, supervised by experts, to separate the knotweed rhizome from the soil before returning the clean soil to the ground. It can be completed in a matter of days and costs can be reduced by as much as 50% compared to dig and dump methods, due to the elimination of landfill disposal and need to import clean fill. Bearing in mind the tax savings and the environmental impacts, Xtract™ has grown hugely in popularity in recent years as the importance of sustainability has increased and Net Zero targets have become central to all decision-making.



The polluter pays

The principle that the polluter should bear the cost of cleaning up any pollution is fundamental to the policy behind LRTR, including the removal of knotweed. If a company does not take appropriate action and allows a knotweed infestation to spread to adjoining land, then it is treated as the polluter and is unable to claim LRTR. Costs involved in addressing an infestation beyond the developer's/owner's land are also not recoverable, as it is a requirement of the relief that a major interest in the contaminated land is held to benefit from tax savings. Therefore, it's vital that professional consultation is sought as quickly as possible once an infestation is identified and a treatment plan put in place to prevent the plant's spread.



Japanese knotweed consultancy

"It's vital that professional consultation is sought as quickly as possible"

Claiming LRTR

The relief is claimed in a company's tax return, yet it can be a complex area of property tax. That's why we recommend working with experts like E³ Consulting, who have undertaken LRTR claims for a wide variety of clients. They provide a free, no obligation 'HealthCheck' review of any project, to help you establish whether you qualify and how much you could potentially save. Neither individuals nor partnerships, subject to income tax, are eligible for LRTR and cannot claim.

Early consultancy can help

There is a range of options for tackling Japanese knotweed on site, with vastly different timescales and costs. The biggest challenge for commercial clients is often understanding and setting the specific project requirements in each case, to ensure that competitive quotes are sought on a like for like basis. Our early remediation consultancy service provides specifications enabling clients to obtain competitive tenders, saving time and money. We can also review and revise on tender returns.



Commercial solutions

Alun Oliver, property tax expert at E³ Consulting, said:

"As this article sets out, the tax rules are both complex and poorly understood by many operating in the property and construction sector, or their advisers. Combined with the time limits for making a claim it is imperative that early advice is sought from a specialist to truly optimise the tax savings on any given project.

We also frequently find that where projects have Japanese knotweed, there are also other contaminants that attract the up to 150% tax relief too. Many of our clients are pleasantly surprised at the level of tax savings we achieve."

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Summary

Wondering 'what's the catch?'. There isn't one. LRTR is nothing new but general awareness is low – amongst both developers/landowners and their respective accountants/tax advisers. If you're a Corporation Taxpayer who is cleaning up land blighted by knotweed for development (or has recently), and you're committed to using an eco-friendly on-site treatment method, then the chances are you're eligible and could benefit from valuable tax savings against knotweed remediation.



Environet remediation works on a brownfield site



New Japanese Knotweed Webinars

Guidance for all professionals working in residential & commercial development or sales.

environetuk.com/webinars-seminars



Authored by experts, Beacon is a series of information papers providing insights into the removal and treatment of invasive plants in the UK.

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