

# ADDING VALUE

## Land Remediation and Derelict Land Relief

### Plant and Machinery Allowances

These allowances are given, for qualifying items that are used in the course of a claimant's trade or profession. Allowances are given are 8% for assets that are deemed to be an integral part of the building and 18% for other qualifying items

### Enhanced Capital Allowances

A First Year Allowances of 100% is given for is available for qualifying items of energy saving or water saving technologies. This can provide a cash flow benefit of £20 for every £100 invested for a company or basic rate taxpayer or £40 for a higher rate taxpayer.

### Annual Investment Allowance

The Government provides an Annual Investment Allowance, which gives 100% relief for the first £200,000 of qualifying expenditure. Like ECA's this can provide a significant cash flow benefit.

### Enterprise Zones

This is a first year allowance of 100% of qualifying expenditure to companies investing in plant or machinery in designated in Enterprise Zones. The relief is available until 31 March 2020.



## Where there's muck?

*Land remediation relief was introduced in 2001 to address market failure, in bringing back land and buildings into use that had been blighted by previous use.*

The relief is typically claimed on development, regeneration, refurbishment and fit outs. Providing, a deduction of 100% of the qualifying expenditure, plus an additional 50% for qualifying expenditure incurred by companies in cleaning up land and buildings acquired from an unrelated third party in a contaminated state.

The contaminating substance must be either causing "relevant harm" to the land, buildings, groundwater, streams, the health of humans or animals or buildings. In addition, the cost must be directly related to remediating the contamination, and must be extra over costs not items that you would normally expect to incur. If the remediation work is not carried out, then there is no tax relief.



## How Capital Allowances Add Value

The main benefit of claiming capital allowances is that it may improve the cash flow for a taxpayer. In addition, claiming and maximising capital allowances has secondary benefits for the taxpayer including:

1. Providing a means where the taxpayer has more working capital at their disposal.
2. Making available more cash to pay lenders, therefore lowering the risk of the investment in the eyes of the lender.
3. Gives the taxpayer the potential of using the available cash generated through claiming capital allowances, to make further investments, or improve other areas of the business.
4. May in some circumstances create a payable tax credit from HM Revenue and Customs

For developers, the main benefit of considering capital allowances is not in terms of improving cash flow but in enhancing the property's value for sale.

Highlighting to any potential purchaser, the value of any capital allowances, especially in terms of any energy and water saving technologies that qualify for Enhanced Capital Allowances will enhance the property's saleability.

Developers and investors can claim this relief provided that they are subject to UK Corporation Tax, unfortunately at this point individuals cannot claim.

To be entitled to relief the Claimant must be a UK registered company paying corporation tax having a freehold, heritable title or leasehold interest of more than seven years.

Claims will not be permitted where the land was purchased with a discount relating to the contamination or where the entire has polluted the land or building.

Expenditure Qualifying for land remediation relief included (but is not restricted to):

- i. Costs of establishing the level of contamination
- ii. Remediation of contaminated land
- iii. Removal of asbestos from buildings
- iv. Treatment of harmful organisms
- v. Treatment (not removal) of naturally occurring contaminants including:
  1. Japanese knotweed
  2. Radon
  3. Arsenic



Other well-known items that have been subject to claims include, the removal of asbestos, chromium, cyanide and the removal of hydrocarbons including oil, petrol and diesel.

### Derelict Land Relief

Derelict Land Relief, was introduced in 2009 to address market failure in bringing long-term derelict land back into use.

Again, an incentive is given where land, whose development has been blighted by various kinds of enduring dereliction, is brought back into productive use. To be derelict the land must be out of productive use and be incapable of being brought back into business use unless buildings or structures on it are removed. There are no stipulations on the use to which the site was previously put; however, to qualify it must be listed as derelict or have been derelict for at least 10 years.

Relief is given for expenditure incurred in removing the following structures left from previous occupation of the site:

- Post-tensioned concrete
- Building foundations and machinery structures
- Reinforced concrete pile caps
- Reinforced concrete basements
- Below ground redundant services e.g. gas, water, electricity and communications.



## Land Remediation Expenditure

The aim of this relief is to remove the cost barriers associated with remediating contamination from land and buildings by giving a 150% deduction for qualifying expenditure for UK companies.

## Derelict Land Relief

Similar to Land Remediation Relief this 150% incentive is given where land, whose development has been blighted by various kinds of enduring dereliction, is brought back into productive use.

## Research and development

100% tax relief available on certain items of capital expenditure incurred in providing facilities for Research and Development. RDA is only available to traders; a person carrying on a profession or vocation is not entitled to them.

## Repairs and Maintenance

100% tax deduction available on certain refurbishment or maintenance costs deemed to be repairs and not improvements. It is important to note the changes to the rules in 2008 regarding the repair of integral features.

## Business Premises Renovation Allowance

Introduced to give 100% relief on certain costs associated in bringing properties in designated areas back into business use. This relief is only available until 2017.

## *How we can help add value to your project*



Proactive services (the best medium for maximising tax relief) that we provide include:

- Pre-purchase advice including a review of the proposed corporate structure, and education to prevent actions that may prevent a claim being made, all to ensure that the company does not plan the works in a way that would prevent relief from being claimed or that may lead to additional Landfill Tax.
- Making sure the company is aware of how the wording of grant applications may prevent their full entitlement to land remediation relief from being claimed.
- Review of the site investigation reports and other reports relating to the contamination or dereliction.
- Analysis of the relevant expenditure and preparation of the claim for onward submission to HM Revenue and Customs.
- Preparation of any relevant elections.

### **Key Contacts**



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**This briefing is intended to provide an introductory outline to certain aspects of the UK Capital Allowances regime. It should not be used instead of obtaining proper professional advice. The outline is for guidance only and is not an appropriate basis for decision-making.**

### *About Us*

Cavetta Consulting, our directors have considerable experience advising businesses, property investors, landlords and occupiers on all capital allowances implications that impact their business.

Our fee structure is tailored to take account of the tax status of the individual or company and is designed to add value to your business.

We offer free advice to businesses at the pre-planning stage of their project, to make them aware of the benefits the tax system allows, and a no obligation review of completed or potential schemes in order to determine whether a viable claim for property tax reliefs can be made.