Reforming Land Remediation Relief
Consultation Response
September 2026

About The Fiscal Incentives Group Limited

This response is made on behalf of TFI Group, a UK tax consultancy specialising in Land Remediation Relief (LRR) and property related tax reliefs. We advise developers, investors, housebuilders and contractors across the full range of brownfield development, from single small sites to multi-phase regeneration schemes, and prepare and support LRR claims through HMRC compliance checks. Our responses draw on that claims experience and on the geo-environmental and geo-technical documentation that underpins remediation projects in practice.

TFI Group is not itself a claimant. Where this response gives examples of how the relief is used or experienced, those views are based on our work preparing claims for clients, anecdotal client feedback and observed industry practice.

References in this response to “the consultation” and to chapter and paragraph numbers are to HM Treasury, Reforming Land Remediation Relief: Consultation, July 2026; Unless separately noted, references to sections in legislation or “Part 14” refer to the Corporation Taxes Act 2009 Part 14, being the existing land remediation relief legislation; references to NPPF are to the National Planning Policy Framework August 2026, the version currently in force; “LCRM” is the Environment Agency's Land Contamination: Risk Management guidance; “NCLOG” means NCLOG Framework Planning Conditions: Practical guidance for land contamination regulators (June 2026, v1.0); “Part 2A” is Part 2A of the Environmental Protection Act 1990.

Executive summary

We welcome the government’s conclusion that LRR provides meaningful relief for businesses investing in marginal or highly contaminated sites and is an important means of supporting businesses in developing and remediating brownfield sites and that there is a compelling case for reform. We are completely aligned with this conclusion, and we welcome the willingness to seek meaningful reform through the three presented options. We also welcome the recognition in Chapter 4 that the option relating to the timing of the relief for developer-traders is the single largest structural defect in the current regime. That was the central message of our September 2025 response to the first consultation, and it remains our current position.

This response sets out our views on each of the proposals that were set out in Chapter 2-4 of the consultation. Our response to the Chapter 2 and 4 proposals is given via responses to each of the questions in that Chapter. Our response to Chapter 3 has been provided via a separate commentary which ultimately concludes with a proposed revised definition for s.1145A “land in a derelict state”.

Whilst appreciating the fiscal constraints that the government is currently operating within, we also feel that the three proposals for reform set out in this consultation do not go far enough. We therefore presented two further recommendations at the end of Chapter 5 and further recommendations relating to the three proposals presented.

The set of recommendations made in this report can be summarised as follows:

Chapter 2:

Recommendation 1: Do not link either eligibility or the claim trigger to the discharge of planning conditions. Planning and Part 14 CTA 2009 are directed at two different questions. Planning is concerned with the assessment and management of risk to receptors; Part 14 is concerned with defining the scope of expenditure eligible for relief. Aligning them would import into the tax code the very considerable variability of planning condition drafting between local planning authorities, would exclude works that are accepted as part of planning but never itemised in a condition, and would make the availability of a tax relief contingent on the administrative speed of local planning authorities. We would therefore recommend leaving the Part 14 definition of land in a contaminated state as it stands.

Recommendation 2: Overcome concerns of complexity through better guidance. The consultations concerning the relief have identified several areas which have resulted in claims not being made or where they have been made, they have included non-qualifying expenditure or have been incomplete. Rather than try and simplify the legislation itself, which is well established and understood by the large companies who claim this relief, we would instead recommend that the current CIRD manuals are reviewed, updated and re-issued alongside more digestible high level promotional material aimed specifically at SMEs.

Recommendation 3: Expand the list of eligible costs as envisaged in para 1.18 of the consultation: Re-introduce mineshaft grouting costs as an eligible activity by removing the air exclusion test introduced in the CTA2009 re-write of the legislation. Expand the list of eligible invasive species to Himalayan Balsam and Giant Hogweed.

Chapter 3:

Recommendation 4: change the definition of land in a derelict state in s.1145A. A revised definition is set out in our chapter 3 commentary. Rather than focus on the state of buildings and structures on the land we are proposing that the requirement is simply that the land is a brownfield site and we have adopted the Previously Development Land definition in the Building Safety Levy as the definition. We have also addressed the current ambiguity and equity around the definition of “Productive use” but adopting the “in-use” test in the Community Infrastructure Levy. What this does is rightfully shift the focus of eligibility to the period of disuse rather than placing an arbitrary test on the state of the buildings and structures on the land.

Recommendation 5: Change the 1998 date. The date that a site needs to be derelict from is a recognised barrier to companies being able to make a claim for the expanded list of qualifying costs on derelict sites. We would therefore propose that the date reference in sub clause 3(b)(i) in sections 1147 and 1149 is changed to the 1st April 2019 thereby enabling companies to claim the extended scope of qualifying costs on the development of land that has been substantially unused for a minimum of eight years. Whilst this might immediately bring more sites into scope, as a fixed date in time, it will become progressively harder to meet the date condition. The date will need to be reviewed on an ongoing basis with reference to actual claims made.

Recommendation 6: Extend the list of qualifying activities. The current list of qualifying activities set out in The Corporation Tax (Land Remediation Relief) Oder 2009 represents only a small proportion of the abnormal costs typically encountered on derelict sites. Our recommendation is to extend the list to include the demolition of above ground buildings and structures and their associated foundations, thereby bringing into scope the very buildings that contribute to the dereliction of a site, and the diversion of live services.

<u>Chapter 4:</u>

Recommendation 7: Proceed with the proposal for accelerated relief as set out in Chapter 4. Allowing housebuilders and developers to elect to treat qualifying remediation expenditure as a deduction in the period incurred, rather than on sale of the units, corrects an unjustified disparity between developer-traders and investors and injects working capital into exactly the part of the sector the government is relying on to deliver 1.5 million homes. It mirrors the established mechanism in s.1147 CTA 2009 for capital expenditure and the administrative process has already been discussed with the CIOT. We fully support it. Critically, its value depends on the claim being triggered by the incurring of expenditure. If the claim point is instead deferred to the discharge of a planning condition, as the Chapter 2 proposal contemplates, the benefit of acceleration is substantially or wholly negated.

Recommendation 8: Account for accelerated relief on the established deferred tax basis, and confirm this in guidance. The accounting consequences of the Chapter 4 election are well understood and require no new accounting concepts. The accelerated deduction of the 100% cost element creates a timing difference which is accounted for as a deferred tax liability under established accounting codes and would mirror the pre-existing deferred tax liability accounting disclosures used for capital expenditure elected under s.1147 CTA 2009. The 50% additional deduction is a permanent difference on which no deferred tax is recognised. A worked example on the facts of a £1m remediation spend is set out at Appendix A.

Recommendation 9: Provide a clean transitional rule and address historic qualifying work in progress. Our recommendation is that the new rules apply to expenditure incurred in accounting periods commencing on or after the 1 April following enactment. Separately, the government will need to decide how to treat qualifying expenditure incurred under the existing rules but not yet expensed to the profit and loss account. Running the two regimes in parallel is workable, however, allowing accumulated qualifying work in progress, not yet expensed to the P&L, to be claimed in the period of enactment would provide a one-off injection of working capital into the housebuilding sector at a time it needs it most.

Recommendation 10: Support SME housebuilders and developers by increasing the rate applied to qualifying expenditure from 150% to 175%. We have consistently called for this reform since 2016 during which time the number of SME housebuilders has further declined to around 2,500 from a peak of nearly 12,000 in the 1980s. We have heard sufficient evidence during the consultation discussions that the value of the relief is one of the principal reasons why SMEs are not making a claim and we would call on government to make this important change now to give much needed support to SMEs who are less likely to benefit from the accelerated relief proposal due to the size of sites typically developed.

Recommendation 11: Remove the exclusion of Landfill tax in s.1144(6A). The exclusion of landfill tax in s.1144(6A) creates a significant administrative burden in that the amount of landfill tax is rarely separately identified in costs provided by a contractor taking material off site. Identifying the amount of landfill tax requires research into the type and quantity of all materials taken off site and how that material was ultimately disposed of or treated. All to determine a reduction in the amount a company is entitled to claim. Furthermore, the recent landfill tax escalator means this proportion of the overall cost will only grow in the future. We have again consistently called for this provision to be dropped and set out strong arguments for doing so in the September 25 response. Ultimately, the incentive to divert material from landfill is the prospect of paying the landfill tax itself. That is rightfully the mechanism for influencing behaviour, not denying relief on the landfill tax ultimately paid.

We would strongly urge the government to implement all these recommendations at the earliest opportunity.

Introduction

The policy backdrop set out in our September 2025 response has not changed. The government has a pro-brownfield planning agenda and an ambitious housing target, but the tax system continues to favour commercial property investment over residential development. Investors obtain relief on remediation expenditure in the year it is incurred and can access capital allowances, including full expensing and structures and buildings allowances. By comparison, developer-traders obtain a 50% additional deduction only when units are sold. LRR is in practical terms the only corporation tax relief available to a housebuilder or developer, and it is worth between 12.5% and 14.5% of qualifying cost to them against up to 37.5% for an investor.

Against that backdrop we read the three reform options as answering three different questions. Chapter 4 asks when the relief is given, and we believe the answer proposed is the right one. Chapter 3 asks which land qualifies, and the answer proposed is directionally right but requires an alternative definition. Chapter 2 asks what expenditure qualifies and how it is evidenced, and here we think the diagnosis has been mistaken for the cure: complexity in claiming LRR is largely a guidance problem, and the proposed solution introduces a second set of variability from the planning system rather than removing one.

Chapter 2: Aligning with planning processes (Questions 1–12)

Question 1: Would replacing the current contamination definitions with a process aligned with relevant planning and land contamination legislation and definitions make it easier for businesses and developers to assess eligibility and comply with the relief in practice?

No. In our view it would make eligibility harder to assess, not easier, and would be likely to reduce the scope of qualifying expenditure. There are four reasons.

1. <u>The proposal appears to rest on a misreading of how contaminated land planning conditions operate.</u>

   The process table at paragraph 1.7 has the local authority confirming that remediation has been completed and issuing a "discharge notice of pre-commencement conditions" at stage 4. Contaminated land conditions do not work that way. Standard conditions comprise either pre-commencement requirements or completion requirements, and those are deliberately kept separate. Pre-commencement requirements cover characterisation of the site by investigation and risk assessment, followed by agreement of a remediation strategy and verification plan. Completion requirements cover implementation of the agreed remediation strategy and verification of the works and are triggered before the scheme is occupied or taken into use.[1]

   The published framework conditions make the distinction explicit. Framework Planning Condition 01 (characterisation and risk assessment) and Framework Planning Condition 02 (remediation strategy and verification plan) both carry a stated time trigger of "pre-commencement". Framework Planning Condition 03 (remediation and verification), which is the condition that actually requires the remediation works to have been completed and a verification report to have been submitted and approved, carries a stated time trigger of "pre-occupation / prior to use". Framework Planning Condition 04, dealing with unexpected contamination, is likewise a pre-occupation condition. The event described at stage 4 of the government's table is therefore the discharge of a completion condition, not a pre-commencement condition.

   If the intention is that a claim can be made once remediation has been carried out and evidenced, the relevant trigger is the completion condition, which will typically be discharged many months or years after the expenditure was incurred. If the intention were instead that the pre-commencement conditions must be discharged, then the trigger would arise before any remediation expenditure had been incurred at all, and could not support a claim.[2]

[1] NCLOG, Framework Planning Conditions: Practical guidance for land contamination regulators (June 2026, v1.0), page 10.
[2] NCLOG guidance (June 2026), pages 34–37 for Framework Planning Conditions 01–04 and their stated time triggers; page 6 for the separation of pre-commencement and completion requirements as a guiding principle of condition design.

2. <u>Definitions of contaminated land in Part 2A EPA1990 and Part 14 CTA2009 are largely aligned, and where they differ Part 14 is the wider test.</u>

   Section 1145 deems land to be in a contaminated state where there is something in, on or under the land that is causing relevant harm or where there is a serious possibility that relevant harm will be caused. Part 2A of the Environmental Protection Act 1990 (section 78A(2)) defines contaminated land by reference to substances in, on or under the land where significant harm is being caused or there is a significant possibility of such harm. Three differences matter:

   - The use of the word “something” in Part 14 rather than “substance” suggests a broader scope of things that can cause harm, but that scope is then restricted by the exclusion test (air / water / naturally occurring / industrial activity) to make the practical differences with the use of “substances” in Part 2A negligible.
   - Part 14 applies a “serious possibility” of harm test whereas Part 2A applies a “significant harm” test. Part 14 is arguably the less onerous of the two.
   - The two regimes are directed at different objects. Part 14 is concerned with the assessment of qualifying remediation cost. Part 2A is concerned with the assessment of risk to receptors, and requires the source, pathway and receptor to be identified. They are not alternative expressions of the same idea.

   The consequence is that adopting the planning test would apply a higher harm threshold to a relief whose current threshold is lower. That is a contraction of scope. It is difficult to reconcile with the statement at paragraph 1.8 that the reform would allow developers to claim on an expanded list of eligible contaminants.

3. <u>Third, the LRR process already uses the planning evidence base.</u>

   The consultation presents alignment with the Land Contamination Risk Management framework as a change. In practice an LRR claim is already built from the same documents: the land contamination risk assessment reporting, the remediation strategy and verification plan, the geotechnical and ground risk reports, borehole logs, asbestos and unexploded ordnance surveys, materials management plans and the verification report. Those documents define the scope of qualifying works under the current regime. Formalising a reference to LCRM documentation in the legislation would not give claimants anything they do not already rely on, and would not of itself expand scope.

4. <u>Linking eligibility to condition content imports the variability of condition drafting into the tax code.</u>

   The NCLOG guidance is explicit that there is significant variation between local planning authorities in the wording and application of contaminated land planning conditions, even where those conditions perform the same function. The same guidance catalogues the recurring defects: pre-commencement requirements drafted so inflexibly that the developer cannot tell which works may proceed; conditions that fail to specify the documents required by LCRM or the order of submission; conditions that assume remediation before any risk assessment has been carried out; conditions that require a remediation scheme to be agreed but contain no obligation to implement it; and conditions that omit any verification requirement at all. It is precisely because condition quality varies this much that the framework conditions were developed.[3]

A relief whose scope depends on what a particular authority happened to write into a particular condition is less certain than the present regime, not more. Three specific consequences follow:

- Some remediation is simply accepted as part of the planning process and never itemised in a condition. Pre-commencement conditions tend to address only the substantial matters.
- Unexpected finds will not appear in the conditions attached at grant of permission. They are dealt with under a contingency condition, and in practice a large proportion of qualifying cost arises from contract variations for contamination and ground conditions discovered after works have begun.
- Where a matter is not addressed through planning it is sometimes picked up by building control instead, in which case there is no planning condition or paperwork to point to.

Our recommendation on this question is to leave the Part 14 definitions as they are unless the government can identify a clear and specific expansion of scope, and to pursue simplification through the CIRD manuals instead.

Question 2: Do you foresee any issues with this reform option in respect to its interaction with the differing planning processes and legislation across England, Scotland, Wales and Northern Ireland?

Yes. The consultation acknowledges at paragraph 1.10 that the underlying legislative basis will differ across the four nations while asserting that the underlying eligibility of contaminants will be consistent. We do not think that assertion can be relied upon. If eligibility for a UK-wide corporation tax relief is defined by reference to four separate planning and environmental regimes, then four separate bodies of guidance, four sets of statutory consultee practice and four bodies of case law will bear on the scope of the relief. Divergence would not need to be large to create materially different outcomes for identical sites.

There is a further and more structural difficulty. Planning policy is devolved and changes over time. Tying tax relief to devolved legislation means that a future change to planning law in one nation could alter, without any decision by HM Treasury, the amount of corporation tax relief available. That is an unattractive feature in a relief that companies are being asked to factor into investment appraisals.

Question 3: Do you consider that this approach could lead to different outcomes across different local authorities, for example where contamination assessments and remediation requirements are applied inconsistently? If so, how might this risk be mitigated?

Yes, and in our view this is the single most serious practical objection to the proposal. The NCLOG guidance was written precisely because contaminated land conditions vary significantly between authorities in wording and application even when performing the same function, and it identifies inconsistency in prescription, in guidance references, in the requirement to implement and in the presence or absence of verification requirements. Under the current regime that variability is largely

[3] NCLOG guidance (June 2026), page 9 (variation between LPAs) and pages 23–25 (common issues with contaminated land planning conditions).

immaterial to LRR, because eligibility is determined by the statutory test in Part 14 applied to the technical evidence. Under the proposal it would become determinative.[4]

Question 4: Are there categories of remediation that would not fall within the planning framework or Local Authority conditions and therefore would not qualify under the proposed reform, but which can currently be claimed under LRR? If so, please provide examples.

Yes. The following are all claimable today and would be at risk under a condition-linked test:

1. Remediation accepted as part of the planning process but not itemised. Conditions tend to address only the substantial matters and frequently state only that certain risks must be discharged, leaving the definition of the works required to achieve sign-off to the remediation strategy and, ultimately, the verification report.
2. Naturally occurring contamination that is presently claimable by express provision — radon, arsenic and Japanese knotweed. It is not clear whether these would survive a planning-derived test.
3. Property related tax relief. LRR claims can include costs relating to the prevention of damage to property (Part 14 definition s.1145(4)(d) as well as environmental remediation. Whereas planning conditions for land contamination are directed at contamination risk principally relating to the protection of human health, controlled waters and the wider environment.
4. Works addressed through building control rather than planning, where no planning condition exists to evidence the requirement.
5. Small-scale works and works not requiring planning permission, which Chapter 2 acknowledges at paragraph 1.12 would fall to the residual contaminant list.

Question 5: Are there any other unintended consequences of aligning the relief to the planning process that the government should consider?

Yes, we would highlight five:

1. Tax considerations would be drawn into the planning process. If relief depends on planning documentation, developers acquire an incentive to seek a wider scope of works in conditions than the risk assessment requires, purely to secure relief. That is an avoidance risk, it adds a tax dimension to an already complex process, and it cuts against the government's planning reform objectives.
2. Planning authorities and contaminated land officers would become gatekeepers of taxpayer claims without any resourcing, expertise or appetite for that role.
3. Future planning law changes could change the scope of relief. As noted at Question 2, the scope of tax relief would become contingent on devolved policy that HM Treasury does not control.
4. Interaction with conditions precedent. Contaminated land conditions are generally regarded as going to the heart of a planning permission. Where a pre-commencement requirement is breached there is no ability to comply retrospectively, and development works carried out are likely to be unlawful, with the consent itself potentially rendered void. Attaching a tax consequence to compliance with such a condition adds a further and disproportionate penalty to an already severe planning sanction.

[4] NCLOG guidance (June 2026), page 9 and pages 23–25.

5. Loss of the fallback. Replacing the statutory definition with a twin system — conditions for consented works and a contaminant list for everything else — removes the single consistent test that currently applies to both and would arguably introduce more uncertainty than the current regime.

Question 6: Do you have examples of cases where the misalignment between LRR definitions and planning requirements could directly have affected a development decision if the relief was to be aligned with the planning process?

Yes. (a) a housebuilder site where planning conditions addressed only gas protection while the substantive qualifying spend was asbestos impacted made ground and obstruction removal, none of which featured in the verification report; (b) a scheme delivered under permitted development with no contamination condition, where LRR was the only recognition of genuine remediation cost; (c) a phased regeneration scheme where verification is discharged phase by phase, years after the expenditure on early infrastructure phases.

Question 7: How do you envisage this reform working in practice for your business or clients? Are there aspects of the proposed mechanism, such as the role of the Local Authority in determining qualifying remediation, that would require further clarification or guidance to be workable?

As previously stated, we do not believe this is a workable solution for reasons beyond just process. The principal barriers being the likely reduction in scope, the considerable variably in the type and scope of conditions given and the fact that the pre-completion conditions may not get signed off for many years, thus negating the upside of the accelerated relief proposal.

Also, as previously stated, the reports used as part of the planning process are the same reports currently used in preparing land remediation relief claims under the existing regime. Given that the main reason behind this proposal is to simplify the claim making process, our recommendation is that there is more specific reference to the remediation planning condition documentation in the CIRD manuals.

Question 8: If this reform is pursued alongside the option in Chapter 4 to accelerate the timing of the relief, a claim for LRR would be made once the LA has discharged the relevant planning condition. Is there likely to be a delay between remediation expenditure being incurred and the LA formally discharging the condition? If so, how significant would the impact be?

We do not have any direct experience of the time between expenditure being incurred and evidenced and the subsequent discharge of the planning condition but anecdotally, it is entirely plausible that on multi-phase schemes, the discharge notice could be delayed until the remediation on all phases has been completed. You are also making tax relief contingent on the contaminated land officer discharging the conditions within reasonable time limits, thus unnecessarily bringing a tax relief matter within the influence of planning procedure and performance.

There is a further administrative problem. Discharge paperwork is not always forthcoming in a timely manner, and there is normally a two-year time limit for making an election for accelerated relief of the kind proposed in chapter 4. A developer could find the election window closing while the discharge remains outstanding.

Our conclusions on this question are:

1. The acceleration in Chapter 4 should be triggered by expenditure being incurred, evidenced in the ordinary way through the accounting records and the technical reporting. Requiring a discharge notice adds administrative burden and delay without adding meaningful assurance — evidence that the expenditure was incurred on qualifying works is the substantive test.
2. If a discharge-based trigger is nonetheless adopted, partial discharge on a phase or building basis must be permitted, so that relief can be claimed through the development timeline rather than at the end of it. The framework conditions already contemplate this, being expressed to operate "within any approved phase" and designed to allow flexibility for practical site operations and phased development.[5]
3. If a discharge notice condition is adopted, then the election time limit would need to run from discharge rather than from the end of the accounting period in which expenditure was incurred.

Question 9: Do you consider that this approach appropriately balances the policy intention of reducing complexity with providing certainty of outcome for businesses and developers? If not, what alternative approach would you suggest?

No. In our view the approach reduces both the scope of eligible works and certainty without materially reducing complexity. Complexity just moves rather than disappears. Moving from a conditions-based regime in Part 14 that deviates only mildly in definitions used from the Part 2A definitions used for planning, to a regime based on highly variable and unpredictable planning conditions and a necessary supplementary list of qualifying contaminants that would be untested and unfamiliar to anyone. Furthermore, whilst the addition of a list of approved contaminants is envisaged only to come into play if the planning conditions are incomplete, what would happen if the planning documents referred to a contaminant not on the list?

The policy proposal would, quite clearly in our view, result in a reduction of the tax relief available which would run completely contrary to the expectation of an expansion of the relief as anticipated in paragraph 1.8 in Chapter 2.

Our recommendation would therefore be as follows:

1. Retain the Part 14 definitions as they are.
2. Address the genuine complexity through better guidance in the CIRD manuals and promotional material aimed specifically towards the SME sector. Be explicit about exclusions. Rather than stating that air and water are excluded, state that flood risk mitigation and mineshaft grouting costs are excluded, which was the purpose of those clauses. We submitted a marked-up version of CIRD60000 with the September 2025 response.

[5] NCLOG guidance (June 2026), pages 34–37 (each framework condition is expressed to apply "within any approved phase") and page 6 (conditions designed to allow flexibility for practical site operations and phased development).

3. Expand the scope of eligible activities envisaged in chapter 2 para 1.8 by making the following two changes:

   - Remove the air exclusion test to bring mineshaft grouting costs back into scope as it was in the original LRR legislation in 2001.
   - Expand the list of invasive species. In the Public Bill Committee on the Finance Bill 2009, the harms attributed to Japanese knotweed in debate were that it "overwhelms other plants and damages ecosystems", that it "has the ability to grow through walls, tarmac and concrete", and that it "kills horses as well", a proposition the Member moving the point accepted.[6] There is an expanded list of invasive species that have to be treated or removed as part of the planning process due precisely to the potential to cause harm to receptors beyond property itself. A summary of the most encountered ones is attached in Appendix 2. Our recommendation would be to prioritise Giant Hogweed and Himalayan Balsam.

Question 10: Do you consider that the discharge of a planning condition by the Local Authority would provide a workable and consistent trigger point for claims across contaminated sites? If not, what alternative mechanism would you propose?

No, for the reasons given at Questions 3 and 8. It is neither consistent, because condition drafting and discharge practice vary between authorities, nor timely, because discharge follows completion and verification of the works rather than the incurring of the expenditure. On multi-phase schemes it may follow by years.

Our proposed alternative is the mechanism that already operates. A claim should be supported by evidence that qualifying expenditure has been incurred, taken from the accounting records and the contractor's pricing documentation, and by the technical documents that define the scope of the qualifying works — the land contamination risk assessment reporting, the remediation strategy and verification plan, the geotechnical reporting, and the verification report where available. That evidence base is already prepared for planning purposes, so there is no additional burden, and it is available to the claimant without relying on a third party.

If the government wants an additional assurance step for larger claims, the more proportionate route is the one we proposed in September 2025: require a claim document setting out the basis of the claim and the costs claimed to be submitted with the CT600 above a value threshold, or where a credit claim is made. Something along the lines of the Additional Information form used for R&D Expenditure Credit claims.[7]

[6] Finance Bill Public Bill Committee, 2 June 2009 (afternoon sitting), cols 212–213 (Mr Hoban and Mr Todd), considering Clause 26 and Schedule 7 (contaminated and derelict land). Source: House of Commons Official Report, Public Bill Committee, prepared 3 June 2009 — supplied separately to this response.

[7] TFI Group response to Land Remediation Relief consultation, 9 September 2025, response to Question 18.

Question 11: Does this reform option appropriately consider the circumstances in which remediation activity that is currently eligible for LRR does not interact with planning processes or Local Authorities?

The proposed mechanism for addressing those circumstances appears to be the inclusion of a backup list of eligible contaminants. We have already set out in our response to Question 9 our concerns with that provision. We have also set out the LRR that would be at risk due to being outside the scope of planning in our response to Question 4.

Question 12: Are there any other issues or concerns you have with this proposal?

None beyond the ones already referred to.

Chapter 3: Derelict land (Questions 13–25)

Existing definitions

The existing definition of derelict land sits in s.1145A and states that:

For the purposes of this Part land is in a derelict state if (and only if) the land:
a. is not in productive use, and
b. cannot be put into productive use without the removal of buildings or other structures

A further test exists s.1147 3(b) and s.1149 3(b) requiring that a site is in a derelict state "throughout the period beginning with the earlier of (i) 1st April 1998 and (ii) the date on which a major interest in land was first acquired by the company or a person connected with that company"

If these tests are all met then s. 1146A allows the company to claim LRR on the increased scope of works referenced in The Corporation Tax (Land Remediation Relief) Order , SI2009/2037 art 6, namely:
- removal of post-tensioned concrete heavyweight construction;
- removal of building foundations and machinery bases;
- removal of reinforced concrete pilecaps;
- removal of reinforced concrete basements; and
- below-ground removal of redundant services.

Commentary on the Chapter 3 proposals

The consultation is proposing an updated s.1145A definition of "Land is in a derelict state" in para 1.8.1 and we presume this needs to be read alongside s.1147 and s.1149 sub clauses 3(b). The proposed definition mirrors the current 1145A definition but adds further clauses. The first is the addition of clause (c) stating some of the acceptable circumstances for why the buildings and structures might prevent the land from being brought back into use. This further clarification assumes that the dereliction of the buildings is the prime reason for land being derelict whereas, in reality, "land" could be derelict because of reasons beyond the state of the buildings on that land. For example, land can be derelict because of contamination, geotechnical abnormals like mine workings, lack of an adequate services infrastructure or simply because there is no viable use for the land. Clause (c) just introduces a further narrowing of an already narrowly scoped definition.

There is then a further part to the definition which seeks to define when a site is not regarded as being derelict. This adds 4 conditions.

1. Condition (a) - The "awaiting development" exclusion would seem to mean that all companies intending to develop would be unable to benefit from the derelict land provisions and yet you are only ever likely to be considering LRR if you are intending to develop. What sites do HM Treasury believe will not be caught by this? What is the significance of adding "underused" and what does that mean in practice?

2. Condition (b) – the 5-year rule. Three potential problems. First, it can take longer than five years to obtain planning permission on a complex site, so the relief could be timed out by the planning system itself. If the policy intent is that the site must be developed within five years of acquisition, that would be a clearer way of expressing it. Second, the interaction with condition (a) is unclear. A site held for future development is presumably also "awaiting redevelopment". Third, and most significantly, "same economic entity" creates an obvious avoidance route: land or a corporate interest could be transferred before the five-year threshold is met. The government should also confirm how the five-year rule is intended to apply on a third-party corporate sale.
3. Condition (c)– all sites could theoretically be brought into productive use if the buildings weren't demolished but this is unlikely to be a sustainable use for the site e.g. as a car park or some other incidental use. What if structures on the site are all listed, can't be removed and therefore need to be accommodated within the scheme? A very good example is the gas holder frames on former gas sites whose structures are often listed.
4. Condition (d) – Any uses excluded. This is effectively saying that if the land has any incidental or meanwhile use then it cannot be identified as a derelict site. Derelict sites are typically complex and carry long planning lead-in times. Putting the site to an interim use during that period e.g. a car park, storage, or open space, is a commercially sensible way of mitigating holding costs. It is not the intended end-use and it does not indicate that the site is viable as it stands. As drafted, condition (d) would exclude a site from relief where a short-term meanwhile use has been taken. Meanwhile uses are a recognised and encouraged feature of the planning system, and any new definition should allow meanwhile uses. There is also contradictory guidance in the CIRD manuals that suggests that HMRC would consider some temporary uses. CIRD62001 states that where the use is very limited, less than seven days a year, and the income generated is not substantial, then it can be ignored as too insignificant to affect the status of the land as derelict. However, we are not aware of any statutory basis for the 7 day rule? It is also worth noting that many productive uses, such as parking or storage, lasting more than 28 days require planning permission to be lawful. The legality of the use should therefore be a consideration in any new definitions used.

Para 1.13 proposal to reduce the LRR rate for derelict sites to 100%. It is unclear what "sites made derelict after 2027" means? How do you make a site derelict? Does it mean sites first falling into dereliction after 2027 (which presumes the 1998 date at some point changing to a date on or after 2027) or does it mean development of derelict sites after 2027? Either way, at the intended time, the relief would have no material impact for developers who get 100% relief on those costs anyway. The benefit would therefore be a timing one only, subject to the accelerated relief proposals being implemented.

Capex incurred on derelict sites would potentially benefit more from the timing benefits of 100% accelerated relief, assuming their holding period is longer than traders and assuming they elect under s.1147. However, if this is genuinely the direction of travel for this relief then this would only reinforce the original case for removing the derelict land conditions now given any new rules would have no material benefit for sites made derelict after 2027. By analogy, the Structures and Buildings Allowances regime is a time benefit only, but it does at least relate to a significant amount of costs whereas the scope of eligible costs for LRR on derelict sites is small in comparison.

Our Chapter 3 recommendations

Our recommendations fall across four priorities. Simplify the definition of derelict land; clarify the rules around permissible uses such as incidental or meanwhile uses; shorten the period a site needs to be derelict to obtain the additional scope of eligible costs; and expand the list of qualifying activities.

There is now a statutory definition of Previously Developed Land in the Building Safety Levy. "Previously Developed Land" (PDL) for the Building Safety Levy means land that has or had a permanent building or man-made structure on it at any point since 1 July 1948. Sites meeting this definition across at least 75% of the land within the redline boundary planning area qualify for a 50% levy discount. There is no reference to the use of those buildings or land so a further test would be required to clarify what type of use would constitute "in-use".

When the derelict land provisions first came into force, HMRC used to accept that a listing on the National Land Use Database (NLUD) was sufficient for demonstrating that the s.1145A test was met. However, NLUD ceased to be used in 2012. The equivalent now is Brownfield Registers but HMRC never recognised a site listed on this register in the same way. It is also only required for housing land, and we are not aware of an equivalent register for commercial buildings.

The second priority to address is how to deal with meanwhile or incidental uses. There is a precedent in the Community Infrastructure Levy (CIL) legislation that states that a building is deemed to be in-use if it has been in lawful use for a continuous period of at least six months within the period of three years ending on the day planning permission first permits the chargeable development. Existing buildings that were in-use under this definition would be excluded from the calculation of the CIL charged on that development. This is the only statutory in-use test that we are aware of and is contained in The Community Infrastructure Levy Regulations 2010 Schedule 1, Part 1, Para 1(10). That test related to "relevant buildings" on the land at the time planning permission was granted but does not consider uses that are on the land surrounding those buildings. It would therefore need to be adapted for use in Part 14.

The third priority is to address the time period a site needs to be derelict. The answer depends on whether the date from is a relative one or a fixed one. If the date is changed to a fixed date of say 10 years before the new date comes into effect, then there will be little unintended impact. The unintended impact only becomes relevant if a moving date is used. In those circumstances, there are risks that people defer commercial decisions until a site falls within a definition. In practice, there are many commercial factors that will determine those commercial decisions, with the benefit accrued from the highly limited list of qualifying costs likely to be one of the lower ranked considerations. So, whilst a relative date should not be discounted, the simplest solution would be to change the 1st April 1998 date which was the date used when the derelict land provisions were introduced in 2009. A period of 11 years. However, a fixed date means derelict land status becomes increasingly harder to a achieve as time evolves. Given the urgency for new homes and the renewed priority for brownfield site development our recommendation would be for the date to be changed to 1st April 2019, assuming the change comes into effect for expenditure incurred on or after 1st April 2027. A period of 8 years.

The fourth priority is to revisit the list of eligible activities on qualifying derelict sites. The scope of activities eligible for relief (in the Statutory Order) only extends to a small scope of works that you might encounter on derelict sites and the tax relief itself may only fund as little as 12.50% of the cost of those works. The scope is totally inadequate and is unlikely to shift the viability gap without significant expansion.

The list of qualifying activities in the Treasury Oder does not include the demolition of the derelict buildings that are themselves stated as the reason for the site being derelict under the current statutory definition in 1145A (b). In that definition, a site qualifies because buildings or structures must be removed before it can be put into productive use, and yet the cost of removing the buildings and other above ground structures are, bizarrely, excluded. Another notable absentee from that list is the diversion of existing live services, whilst removal of redundant services are included. We would therefore recommend that the list of qualifying activities is extended via a Treasury Order to include:

f. Demolition and removal of above-ground structures
g. Diversion of live services

In summary, we would recommend the following amendments to the current legislation:

Change the definition of 1145A: Land "in a derelict state" to:

(1) For the purposes of this Part land is in a derelict state if (and only if) the land:
   a) Has or had a permanent building or man-made structure across at least 75% of the lands total area, and
   b) is not in productive use.
(2) "Productive use" means:
   a) The buildings or man-made structures on the land have been in lawful use for a continuous period of at least six months.

1147: Deduction for capital expenditure

Change the date in clause 3b(i) from 1st April 1998 to 1st April 2019

1149: Additional deduction for qualifying land remediation expenditure

Change the date in clause 3b(i) from 1st April 1998 to 1st April 2019

This simplified definition necessarily shifts the entitlement focus from the state of the buildings and structures on the land, to the length of time a brownfield site remains undeveloped. It is, after all, the time unused rather than the state of the buildings that is the primary cause of dereliction and blight.

Chapter 4: Timing of the relief (Questions 26–29)

Commentary on Chapter 4 proposals

We fully support this reform. It is the most valuable of the three by a considerable margin, it corrects a disparity between developer-traders and investors that has no policy justification, and it mirrors an administrative process already discussed with the CIOT. Our comments are directed at how the relief would operate in practice rather than at whether it should proceed.

Question 26: Should accelerated relief be available from the point expenditure is incurred, what practical or administrative considerations should be considered in implementing this option?

Yes, it should be available from the point expenditure is incurred. The following practical matters need to be addressed.

1. When expenditure is deemed to be "incurred".

   This should follow the existing accounting position rather than introduce a new test. "Work in progress" (WIP) expenditure is incurred in accordance with UK GAAP and IFRS. Generally, if the work has taken place and an obligation to pay has been established in an accounting period then the cost is deemed to have been incurred in that accounting period irrespective of when it is paid. For a December year-end company, works undertaken in December and included in December valuations but not paid until January would be deemed to be incurred in the December period which would typically be accrued. Conversely, if a company raised and paid an invoice for works not yet undertaken, perhaps to obtain relief early, relief would be denied because the cost is not an allowable cost under the statutory accounting provisions. Our view is that no further provisions would be needed to define this further.

2. Mechanics of the election.

   We agree with the mechanism described at paragraph 1.5: the elected expenditure is deducted from the work in progress balance in the period incurred and multiplied by 150%, aligning with the treatment for capital expenditure under s.1147 CTA 2009. Points to confirm:

   - The election should operate at site level, with the ability to elect for part of a site's qualifying expenditure, so that a company is not forced into an all-or-nothing decision across a multi-phase scheme.
   - The two-year time limit that normally applies to an election of this kind should be confirmed, and, if a chapter 2 discharge condition is imposed, extended (see Question 8).
   - We would expect the 16% payable credit to be available on any losses generated under the election provisions.
   - Changes to corporation tax rates may influence whether companies elect. A company expecting rates to rise may prefer to defer relief. This is unavoidable but the government should expect election behaviour to vary with the rate outlook rather than being uniform.

- Connected party considerations need thought. For example, where remediation is carried out by a connected contracting entity within a group, or where a site is transferred between group companies between the date of election and the date of sale. This could be addressed in guidance.

3. Historic qualifying work in progress.

   This is the most significant transitional decision, and it is not addressed in the consultation. At the point the new rules take effect, housebuilders and other traders will be holding substantial balances of qualifying expenditure that has been incurred under the existing rules but not yet expensed to the profit and loss account. There are two options:

   - Run the two regimes in parallel: continue to claim historic qualifying expenditure as it reaches the profit and loss account as a cost of sales and claim new expenditure in the year incurred. This is administratively straightforward but delivers the reform's benefit only gradually.
   - Allow accumulated historic qualifying expenditure to be claimed in the period of enactment. This would provide a one-off injection of working capital into the housebuilding sector at a point when the government is asking it to increase output. The scale is not trivial. The current balance of qualifying expenditure carried forward across our national housebuilder clients is c.£220m based on the latest year end claims completed. We would recommend the second option but recognise it is a fiscal decision. Either way the point needs to be clarified in the transition arrangements of the new legislation rather than left to guidance.

4. Accounting and deferred tax.

   There will be a deferred tax liability on the 100% element of the 150% relief. The 50% element is a permanent benefit and requires no deferred tax liability to be recorded in the accounts. Our understanding is that accounting for the timing difference should follow standard accounting principles in IFRS for SMEs s.29, and in FRS 102 and IAS 12 for large companies. The same accounting principles currently used to account for the deferred tax liability for capital allowances and capital expenditure elections under s.1147. We set out the mechanics and a worked example at Appendix A. No new accounting treatment is required, and we would not expect this to be a material implementation obstacle. What would help is a short confirmation in the CIRD manuals that the deferred tax treatment follows the established basis.

5. Record keeping.

   Acceleration substantially reduces the administrative burden the consultation identifies at paragraph 1.3. At present a housebuilder or developer must retain and track remediation records for upwards of five years, and on large schemes for far longer, attributing historic spend to legal completions plot by plot. Claiming in the year of expenditure reduces that tracking obligation for all new expenditure. It also improves the quality of the underlying claim, because qualifying costs will be identified on an ongoing basis whilst information and technical supporting documents are still readily accessible.

Question 27: To what extent do you consider that accelerating relief would change developer behaviour — for example by making previously unviable sites viable, or by accelerating the pace of development on sites already in the pipeline?

The behavioural effect operates mainly at corporate level rather than at individual site level, and that is where we would expect the government to look for it.

At site level, acceleration improves the net present value of the relief substantially. Remediation is typically incurred in year one; with first legal completion following on average in around year three; final sale in around year seven. On large multi-phase regeneration schemes full recovery can take up to twenty years. Bringing the deduction forward to year one therefore converts a benefit received over three to seven years, or longer, into one received immediately. That is a real improvement in the return on a marginal site, and for genuinely marginal schemes it can be the difference between proceeding and not.

But the more important effect is on working capital. For a housebuilder, working capital capacity is a binding constraint on land buying and therefore on output. Income is irregular while land acquisition and staged construction payments are front-loaded and fixed. Relief received in the year of expenditure rather than on sale increases the capital available to acquire the next site. Our September 2025 response set out that the 11 national housebuilders we analysed had spent around £1.25bn on remediation over ten years, generating in the region of £150m of additional working capital.

There is a second behavioural effect which the government should weigh in assessing cost. Acceleration creates, for the first time, a direct incentive for developer-traders to identify and estimate qualifying costs accurately at tender stage, because the benefit arrives in the same period as the spend. At present the disconnect between cost and benefit is one of the principal reasons the relief is not factored into site appraisal at all.

Question 28: Are there any unintended consequences or avoidance risks the government should be aware of in accelerating relief, and how might these be mitigated?

We do not consider the avoidance risk to be high, principally because the amount of relief is unchanged, only its timing moves. The following are the risks we would identify, with our suggested mitigations.

1. Prepayment for work not yet done. A company might seek to raise and pay invoices for works not yet undertaken. As noted at Question 26, relief would already be denied because the cost is not allowable under the statutory accounting provisions. No new rule is required, but the CIRD manuals should say so expressly.
2. Connected party pricing. Where remediation is carried out by a connected entity, acceleration increases the value of overstating the intra-group charge, since the benefit is obtained immediately rather than years later. The existing requirement for costs to be incurred on qualifying works at arm’s length value should be sufficient, but it warrants explicit attention in guidance.

3. Rate arbitrage. Companies will time elections by reference to expected corporation tax rates. This is rational behaviour rather than avoidance, but it will affect the profile of the cost to the Exchequer, and the deferred tax position must be measured at the rate expected to apply when the timing difference reverses rather than the current rate.

None of these is a reason not to proceed. All are addressable in drafting, and several are already addressed by existing law.

Question 29: What mechanisms would business have in place to ensure that the same costs are not subsequently relieved again, for example through a capital allowances claim or as a deductible expense on disposal?

1. The work in progress adjustment itself.

   The mechanism described at paragraph 1.5 is self-policing. The elected expenditure is deducted from the work in progress balance in the period incurred. When the units are sold, cost of sales is therefore struck net of the amounts already relieved. As the consultation notes at paragraph 1.7, the tax liability on sale is calculated with reference to cost of sales net of amounts expensed in an earlier period through the election. The cost cannot be deducted twice because it is only ever in the work in progress balance once. This is the same discipline that operates for a s.1147 election on capital expenditure.

2. The deferred tax liability.

   The deferred tax liability recognised on election is a standing record, on the face of the balance sheet and in the tax note, of the amount of accelerated relief still to reverse. It unwinds as units are sold. A company cannot claim the same cost again on sale without the deferred tax liability failing to unwind, which would be apparent from the tax reconciliation required under deferred tax accounting rules. The audited accounts therefore provide an independent control, and one that HMRC can review.

3. The claim record.

   Claims are prepared on a site-by-site basis with qualifying expenditure identified against the contractor's pricing documentation. Where an election is made, the elected amount should be recorded against the site in the claim documentation, and that record should be the reference point for the cost of sales adjustment on each subsequent legal completion. In our experience this is how housebuilders already track qualifying expenditure against completions under the current rules.

4. Capital Allowances interaction

   The capital allowances interaction considerations only apply to capital expenditure so the proposal to extend accelerated relief to WIP will add no further considerations that have not already been added for capital expenditure elections. Namely, capital expenditure eligible for capital allowances is not eligible for LRR, and structures and buildings allowances are denied where the expenditure qualifies for LRR. Overlap is rare in practice and generally confined to items such as mechanically operated radon or methane protection systems in investor-built property. As we recommended in September 2025, the simplest correction is to give LRR precedence over any form of capital allowance, since it is the more valuable relief, which would remove the need for claimants to police the boundary in both directions.

The only potential scenario that would trigger an interaction between WIP and capital allowances is where a developer lets a commercial building before sale (CAA2001 s.270BE applies). In this scenario, the purchaser, for the purposes of claiming structures and buildings allowances (SBA), is to treat the expenditure incurred by the developer as capital expenditure. This, indirectly, places an obligation on the developer to prepare the SBA statement to hand to the purchaser. The interaction point is therefore to make sure that the developer excludes any qualifying land remediation costs from the SBA qualifying expenditure. This point is probably best dealt with through guidance rather than statute as the statute adequately deals with this interaction, provided the rules are followed.

5. What the government could usefully add.

If additional assurance is wanted, we would suggest a single-line disclosure on the CT600 of cumulative elected expenditure not yet reversed, per company. That gives HMRC a running total to test against the deferred tax note without imposing a new record-keeping obligation, because the figure is one the company must already calculate for its accounts.

Chapter 5: Package of reforms (Questions 30–35)

Question 30: Do you consider that the three reforms proposed in this consultation are more effective in combination than individually? Please explain your reasoning.

1. Not as currently framed. Chapters 3 and 4 are complementary and reinforce each other. Chapter 2 is not complementary to either; on the timing reform it is actively harmful.
2. Chapters 3 and 4 combine well. Changing the 1998 date brings more sites into scope; acceleration improves the benefit from the resulting relief. Indeed, as noted in our Chapter 3 commentary, the proposed reduction to a 100% rate for post-2027 dereliction leaves developer-traders with a timing benefit and nothing else, so for that cohort Chapter 3 has no value at all unless Chapter 4 is enacted.
3. Chapter 2 does not combine well with Chapter 4. Chapter 2 would defer the claim point to discharge of planning conditions whereas Chapter 4 exists to bring the claim point forward to the point of expenditure. The consultation identifies this tension itself at Chapter 5, paragraph 1.5, and we would put it more strongly: on the evidence at Question 8, discharge follows completion of the works by 6 to 12 months at best and by years on multi-phase schemes, so combining the two would substantially or wholly cancel the benefit of acceleration. A package in which the most valuable reform is neutralised by the least valuable one would be worse than either reform alone.
4. Chapter 2 also interacts poorly with Chapter 3 in one specific respect: if contamination eligibility becomes planning-led while dereliction eligibility remains a statutory test, the two proposals of the relief would be determined on entirely different bases, which is the opposite of simplification.
5. Our conclusion is that Chapters 3 and 4 should be taken forward as a package in line with the recommendations made in this response, and Chapter 2 should not be taken forward in its current form. If the government wishes to pursue alignment with planning, it should be a separate and later exercise, and it should not be permitted to delay Chapter 4.

Question 31: Are there any inconsistencies or interactions in how these potential reforms would work in practice if all were implemented that the government should be aware of?

No further points of note beyond the points made against question 30.

Question 32: Are there any unintended consequences or effects, for example with previously qualifying expenditure being removed from eligibility, that you anticipate may materialise if these options are implemented as a package?

Yes, and this is our principal concern about the package as a whole. The categories of currently qualifying expenditure at risk of falling out of eligibility are set out at Question 4: unexpected finds, remediation accepted through planning but not itemised in conditions, naturally occurring contamination such as radon, arsenic and Japanese knotweed, geotechnical remediation, works dealt with through building control, and works outside the planning system altogether.

The government should be aware that a reform presented as an expansion could, on the current drafting, be a net contraction for a substantial number of claimants. That is a materially different outcome from the one described at Chapter 2, paragraph 1.8, and it would be an unfortunate result of a consultation whose stated purpose is to improve the relief.

Two further consequences:

1. Behavioural distortion in planning. As set out at Question 5, a condition-linked test creates an incentive to seek wider conditions than the risk assessment requires. This is the clearest avoidance exposure created by the package.
2. Sites locked up rather than used. The incidental use exclusions in the Chapter 3 draft dereliction definition would discourage meanwhile uses and make leaving a site idle the rational choice. Meanwhile uses are encouraged elsewhere in planning policy, and the tax system should not pull in the opposite direction.

Question 33: If the proposals were not taken forward as a package, which individual proposal(s) do you consider would have the greatest impact on remediation?

In descending order of impact:

1. Chapter 4: timing of the relief. By a wide margin the most impactful. It corrects an unjustified structural disparity, delivers working capital to the sector responsible for delivering the housing target, and costs the Exchequer only the funding cost of the deferral. If the government implements only one reform, it should be this one.
2. Chapter 3: derelict land, provided the definition is updated as set out in this response and is paired with an expanded eligible cost list. Removing the 1998 date is right in principle, but without expanding the five qualifying cost categories to include above-ground demolition and live service diversions the benefit is small. With that expansion it is worthwhile.
3. Chapter 2: aligning with planning. Last, and in its current form we see no benefit to an alignment of the Part 14 definitions with planning. It risks reducing scope and delaying claims, and the underlying complaint it responds to is better answered by improved guidance.

Question 34: Are there interactions between the three proposed reforms, or consolidated package, and other areas of the tax code that the government should consider in finalising the design of the relief?

None that have not already been referred to earlier.

Question 35: What transition period or arrangements would be needed to give your organisation sufficient certainty to plan qualifying expenditure effectively?

Our preference is that the new rules apply to expenditure incurred in accounting periods commencing on or after the 1 April following enactment. That gives a clean break by accounting period rather than a mid-period split, which avoids apportioning a single site's expenditure across two regimes, and it aligns with the way housebuilders plan land and build programmes.

We would also reiterate the opportunity of an injection of working capital into the housebuilding sector and for other commercial developers by giving immediate relief for the balance of qualifying expenditure not yet expensed to the P&L. A further good example as to why this would be a sensible and logical approach is the case of a project where qualifying remediation activities span the two regimes. If immediate relief is not given on the expenditure incurred under the old regime, then a company will end up getting relief earlier on the expenditure incurred later which seems to be counter to the intentions of this proposal.

Proposals for future consideration

The discussions that have taken place during both consultation phases have highlighted some notable omissions from the proposals currently tabled. The discussions highlighted the complexity of applying the subsidy rules in s.1177 when also receiving gap funding via a grant. They also highlighted the considerable cost of complying with Biodiversity Net Gain regulations on small sites and the inability to recover site investigation and survey costs associated with land that they don't go on to purchase. All of these are deserving of review at some point but there are two measures that we believe should be given serious consideration as part of the current package of reforms.

1. It is clear from our own experience and also the feedback received during consultation discussions with HM Treasury that the value of the relief is not significant enough for an SME to dedicate resources to work through the process and rules for making a claim. We have consistently promoted the proposal for a high rate of 175% to apply for SMEs and this has been supported in those subsequent discussions. This could either be achieved by making the higher rate applicable to SMEs (using the established statutory definition) or it could be made available on the remediation of small (10 units) and medium sites (50 units), which would align with definitions in the NPPF or for it to apply to a single LRR specific category of sites with up to 25 units. The rationale for an increased rate is further explored in our September 25 response.
2. The exclusion of landfill tax in s.1144(6A) creates a significant administrative burden in that the amount of landfill tax is rarely separately identified in costs provided by a contractor taking material off site. Identifying the amount of landfill tax requires research into the type and quantity of all materials taken off site and how that material was disposed of or treated. This is highly burdensome on the time taken to prepare a claim, time that ultimately will only reduce the claim in value. Furthermore, the recent landfill tax escalator means this proportion of the overall cost will only grow in the future. We have again consistently called for this provision to be dropped and set out strong arguments for doing so in the September 25 response. Ultimately, the incentives to keep as much material on site as possible is the prospect of paying the landfill tax itself. That is rightfully the mechanism for influencing behaviour. That behaviour will not be influenced one bit by the fact that you don't get LRR on the landfill tax payment itself. This provision should be moved in the next draft of the legislation.

Submitted by:
The Fiscal Incentives Group Limited
September 2026

Appendix A: Worked example: accounting for accelerated relief under FRS 102 and IAS 12

This appendix responds to the accounting concerns identified at Chapter 4, paragraphs 1.6 to 1.8. Our submission is that the reform requires no new accounting treatment. The timing difference created by an accelerated deduction is accounted for as a deferred tax liability on exactly the same basis as capital allowances and as an election under s.1147. That is, under FRS 102 for UK GAAP reporters and under IAS 12 for IFRS reporters.

The framework

Under FRS 102, deferred tax must be recognised in respect of all timing differences at the reporting date. Timing differences are differences between taxable profits and total comprehensive income arising from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements (paragraph 29.6). That is precisely what an election under the proposed reform creates: the expenditure is deducted for tax in the period incurred but is recognised in the income statement, as cost of sales, when the units are sold.[8]

This is the same mechanism that already applies where tax allowances for the cost of a fixed asset are received before or after the related depreciation is recognised in profit or loss (paragraph 29.8). The reform simply extends an established pattern to revenue expenditure held as stock.[9]

The 50% additional deduction is a permanent difference: it is a tax allowance greater than the corresponding expense in the financial statements, and it never reverses. No deferred tax is recognised on it (paragraph 29.10).[10]

Measurement is at the tax rates enacted or substantively enacted at the reporting date that are expected to apply to the reversal of the timing difference (paragraph 29.12). Deferred tax is not discounted (paragraph 29.17). The deferred tax liability is presented within provisions for liabilities (paragraph 29.23), and the movement is presented as part of the tax expense (paragraphs 29.21 and 29.22).[11]

The position under IAS 12 is materially the same, reached through the temporary difference model rather than the timing difference model. The accelerated deduction reduces the tax base of the work in progress below its carrying amount, creating a taxable temporary difference, and a deferred tax liability is recognised for all taxable temporary differences. It is measured at the rates expected to apply when the liability is settled, is not discounted, and is recognised in profit or loss.[12]

[8] FRS 102 (September 2024), paragraph 29.6, page 292.
[9] FRS 102 (September 2024), paragraph 29.8, page 293.
[10] FRS 102 (September 2024), paragraph 29.10, page 293.
[11] FRS 102 (September 2024), paragraphs 29.12 (page 293), 29.17 (page 294), 29.21–29.23 (page 295). Disclosure requirements are at paragraphs 29.26–29.27, pages 296–297.
[12] IAS 12 Income Taxes, paragraphs 15 (recognition of deferred tax liabilities for all taxable temporary differences), 47 (measurement at rates expected to apply), 53 (deferred tax shall not be discounted) and 58 (recognition in profit or loss). Source: IAS 12 as issued by the International Accounting Standards Board — not one of the documents supplied with this consultation.

Example: The facts assumed

A housebuilder spends £1m remediating a site in 2027, on which it intends to build 250 homes. It elects to treat the £1m as a deduction in the period incurred. Applying the 150% LRR rate, its total tax deduction in 2027 is £1.5m. The homes are sold over the following four years. Corporation tax is assumed to be 25% throughout, and the company's accounting reference date is 31 December. The £1.5m deduction has two components which are accounted for differently:

1. The £1m elected amount. This is a timing benefit only. The cost will be recognised in the income statement as cost of sales as the homes are sold, but no further tax deduction will be available at that point because it has already been given. A deferred tax liability is recognised.
2. The 500k 50% additional deduction. This is a permanent benefit. It is never recognised as an expense in the financial statements and never reverses. No deferred tax is recognised.

2027: the year of election

Deferred tax liability = £1m timing difference × 25% = £250,000. The entries in 2027 are:

1. Current tax: taxable profits are reduced by £1.5m, a current tax saving of £375,000.
2. Deferred tax: Dr deferred tax charge (tax expense) £250,000 / Cr deferred tax liability £250,000.
3. Net credit to the tax line: £375,000 less £250,000 = £125,000.

The £125,000 net credit is exactly the permanent element (£0.5m × 25%). The deferred tax entry therefore does its job: the accounts report only the permanent benefit in the tax charge for 2027, while the cash benefit of £375,000 is received in 2027 and the £250,000 timing element is carried on the balance sheet as a liability until it reverses. Reported profit after tax is not flattered by the acceleration; only the cash position improves. In our view this is the answer to the concern expressed at Chapter 4, paragraph 1.6.

2028 to 2031: reversal as the homes are sold

The remediation cost of £1m equates to £4,000 per plot across 250 plots. As each plot completes, that cost is recognised in cost of sales but is added back in the tax computation, because relief has already been given. The deferred tax liability unwinds pro rata.

Period	Plots sold	Remediation cost in cost of sales	Tax adjustment	Deferred tax released	DTL carried forward
2027	–	–	(£1,500,000)	(£250,000)	£250,000
2028	50	£200,000	£200,000	£50,000	£200,000
2029	75	£300,000	£300,000	£75,000	£125,000
2030	75	£300,000	£300,000	£75,000	£50,000
2031	50	£200,000	£200,000	£50,000	Nil
Total	**250**	**£1,000,000**	**(£500,000)**	**Nil (net)**	**Nil**

Tax adjustment: 2027 shows the £1.5m deduction obtained on election; 2028 to 2031 show the add-back of remediation cost recognised in cost of sales for which relief has already been given. The net £0.5m is the permanent benefit of the 50% additional deduction. The plot completion profile is illustrative and in practice follows actual legal completions.

The journal in each of 2028 to 2031 is: Dr deferred tax liability / Cr deferred tax credit (tax expense), for the amount released. By 2031 the liability is nil and the cumulative position is identical to that under the current rules.

Appendix B: Schedule of Invasive Species

Species	Risk rating	Main risk / harm	What it affects	Pre-construction survey requirement	Treatment / eradication method	Typical programme / timescale	Legal / regulatory requirement	Construction hold point	Who should sign off	Evidence / records required
Japanese knotweed (*Reynoutria japonica*)	Very High	Vigorous rhizomes can exploit cracks and weak points; major construction risk is spreading rhizomes through excavation, soil movement and machinery.	Buildings, hardstanding, foundations, roads, drainage, earthworks, native vegetation	Yes – specialist identification/survey.	Specialist herbicide programme, or controlled excavation/containment. Strict soil segregation and biosecurity.	Typically >3 years for herbicide treatment; excavation/containment may allow works sooner if properly engineered.	Prevent spread. Waste/soil must be managed correctly. Herbicide requirements apply. RPS 178 may be relevant where its conditions are met.	STOP earthworks within/near infestation until management plan is approved. No uncontrolled movement of suspect soil.	Ecologist/Invasive specialist + Environmental Manager/appropriate site manager.	Survey, mapped extent, management plan, RAMS, treatment records, photographs, soil movement records, waste documentation, machinery-cleaning records, completion/monitoring reports.
Giant knotweed / hybrid knotweeds	Very High	Similar rhizome and soil-spread risk to Japanese knotweed; difficult to distinguish hybrids reliably.	Earthworks, hardstanding, drainage, native vegetation	Yes – specialist identification/survey.	Specialist treatment or controlled excavation/containment.	Multi-year if chemically treated; programme depends on infestation.	Prevent spread and comply with applicable waste/herbicide controls.	Hold earthworks until species and treatment strategy confirmed.	Invasive specialist/ecologist + Environmental Manager.	Survey, species confirmation, treatment plan, soil records, waste records and monitoring.
Giant hogweed (*Heracleum mantegazzianum*)	Very High	Sap can cause serious skin burns/photosensitivity. Also suppresses vegetation and can contribute to bank erosion.	Workers, public, animals, native vegetation, watercourses	Yes – specialist identification/survey.	Specialist cutting/digging and/or herbicide. Specialist PPE and exclusion controls. Prevent seed spread.	Generally 2-5+ years, with repeated treatment/monitoring.	Worker health and environmental controls. Herbicide restrictions/permissions may apply, particularly near water.	No clearance/treatment until risk assessment and method statement approved.	Invasive specialist + H&S/Environmental Manager.	Survey, risk assessment, COSHH, RAMS, treatment records, exclusion-zone records, monitoring.
Himalayan balsam (*Impatiens glandulifera*)	High	Dense stands outcompete native plants; dieback can leave bare riverbanks and increase erosion. Seeds can spread rapidly via water and contaminated soil.	Watercourses, riverbanks, native vegetation, aquatic/riparian wildlife	Yes – specialist identification/survey.	Hand-pulling, cutting/mowing and/or approved herbicide. Remove before seed set. Repeat treatment.	Usually 2-3+ growing seasons.	Prevent spread; additional controls where working near water.	No works that could spread seed/plant material into watercourses.	Ecologist/Environmental Manager.	Survey map, treatment records, photographs, watercourse/biosecurity inspection records.
Rhododendron ponticum	High	Dense stands prevent regeneration of native woodland and suppress ground flora. Can be difficult to eradicate because of regrowth.	Woodland, native vegetation, biodiversity, soils	Yes – specialist identification/survey.	Cut/stump treatment, mechanical removal and/or herbicide. Follow-up for regrowth.	Clearance may take weeks/months; follow-up commonly several years.	Protected-species checks are particularly important before woodland/vegetation clearance.	Ecological clearance check before vegetation removal.	Ecologist + Environmental Manager.	Ecological survey, clearance plan, treatment records, protected-species check, monitoring.
Buddleia (*Buddleja davidii*)	Medium	Colonises disturbed ground and masonry; roots can exploit cracks and contribute to deterioration of walls/structures.	Walls, masonry, railway structures, disturbed ground, native vegetation	Yes – specialist identification/survey.	Mechanical removal/root or stump removal; targeted herbicide where appropriate.	Usually months-2 years, depending on infestation.	General vegetation/herbicide requirements. Check protected species before clearance.	Usually a controlled-work hold point, rather than a major project-wide stop.	Site Manager/Environmental Manager; ecologist where ecological constraints exist.	Clearance records, photographs and herbicide records where applicable.