

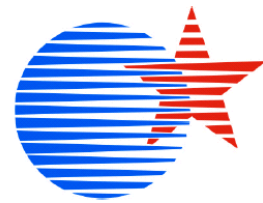
Brownfield Fiscal Incentives

Life After the Pre-Budget Report



AGENDA

- 1) Overview of existing Land Remediation Tax Relief**
 - who, what and how much?
- 2) Proposed Changes to Land Remediation Relief**
 - how much, who and what?
- 3) Proposed Changes to Landfill Tax Exemption**
- 4) Summary and Top Tips**

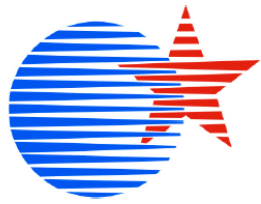


1) Land Remediation Relief Overview

■ Land Remediation Relief – Existing Regime

Background:

- Government target for brownfield development = 60%
- LRR was introduced to...
 - a) Incentivise
 - b) Remove cost barriers...to developing contaminated sites
- Not to be confused with Landfill Tax Exemption

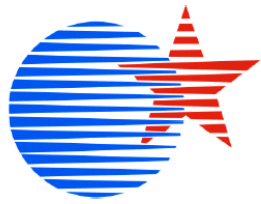


1) Land Remediation Relief Overview

■ Land Remediation Relief – Entitlement

□ Who can claim?

- Land must be registered in the UK
- Land must be contaminated at point of purchase
- Land interest must be with a UK registered company paying corporation tax
- Company must not be the polluter
- Expenditure must not be subsidised
- Expenditure does not qualify for capital allowances



1) Land Remediation Relief Overview

■ Land Remediation Relief – Eligibility

□ What can be claimed?

- Expenditure must be on the contaminated land
- Expenditure would not have been incurred if they land was not contaminated
- Expenditure must be on “relevant remediation” i.e. payment for the removal of “substances” that cause “harm” to humans, controlled waters or damage property
- Land definition includes buildings and contaminants within them



1) Land Remediation Relief Overview

■ Land Remediation Relief – Value

□ How much is it worth?

- 150% tax relief for expenditure on Land Remediation
- Claimed via the company's tax return
- Cash value depends on company structure:

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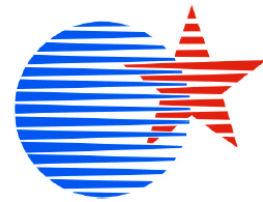
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per qualifying £

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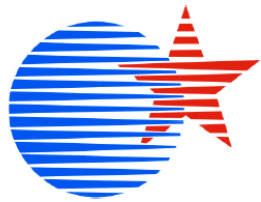
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Proposed Changes

**Tax incentives for development
of brownfield land:
a consultation**

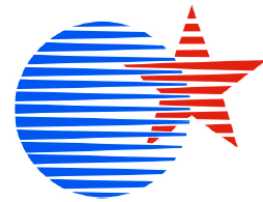
March 2007



■ Land Remediation Relief – Consultation 2007

Background:

- Approaching 7 years old (FA 2001)
- 2007 Budget announced first consultation on LRR
- Responses submitted June 2007
- Five main areas considered
- Results were to be announced in the Pre-Budget Report Nov 07
- No confirmation of changes announced as yet



■ Land Remediation Relief – Value in 2008

□ How much will it be worth?

- Same 150% tax relief to apply
- Reduction in Corporation tax rate from 30% to 28% will reduce cash value of LRR

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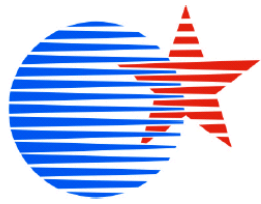
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per qualifying £

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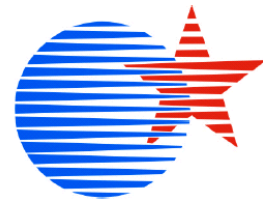
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per qualifying £



■ Land Remediation Relief – Entitlement in 2008?

- Who will be able to claim?
 - Same conditions apply
 - Possible addition based on planning permission looks likely
 - Details unknown – may be a full, outline or remediation based planning requirement
- Impacts:
 - Most housebuilders/ developers unaffected
 - Specialist remediation contractors may be excluded
 - Further burden on planning system?



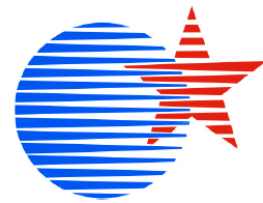
■ Land Remediation Relief – Eligibility in 2008? (1)

□ What will be claimable?

- Japanese Knotweed to be specifically included
- No other pernicious plants to be included in current proposals
- Door not closed; further evidence required

□ Impacts:

- Arguably no change to current position
- Clarification and end to the controversy is welcomed



■ Land Remediation Relief – Eligibility in 2008? (2)

□ What will be claimable?

- Specific relief provisions for Long-term Derelict sites
- Wider list of qualifying costs e.g. geotechnical solutions, infrastructure costs, flood prevention works?
- Details unknown; possibly a stand-alone relief alongside LRR
- Same rate of relief as LRR expected (150%)
- Definition of “Long-term Derelict” anticipated to be based on NLUD, or proof from a fixed point in time (31 March 98 likely)
- Acceptable temporary uses to be incorporated

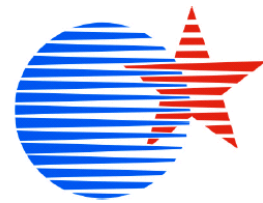


■ Land Remediation Relief – Eligibility (2) Cont.

□ Impacts:

- Suggested in Barker Report to increase supply of land for housing needs
- Help to promote remediation / rehab of derelict sites
- Industry scepticism as to the ability to achieve goal
- Poor awareness of NLUD might affect uptake
- All should note and be aware to advise clients and/or make claims
- Best off where abnormals are a significant %age of total land cost

3) Proposed Changes to Landfill Tax Exemption



■ Landfill Tax Exemption for Contaminated Land

Background:

- Currently can apply for an exemption where landfill is for “remediation purposes”
- Exemption introduced to remove potential barrier to development of contaminated land
- Valuable – current tax rates are £24/t rising @ £8/t per annum to a target rate of £48/t

Proposed Change:

- Consultation suggested that the Exemption will be withdrawn from Budget 2008

3) Proposed Changes to Landfill Tax Exemption



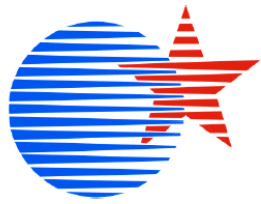
■ Landfill Tax Exemption for Contaminated Land

Underlying Logic:

- Perception problem for Government
- Greater range of viable alternatives available now

Impacts:

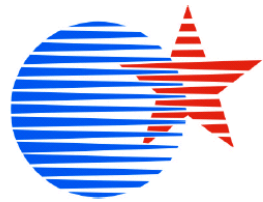
- Transitional arrangements are key
 - Adjustment of land purchase prices
 - Utility companies could suffer
- 'Dig and dump' is increasingly a last resort – possible increase in sites remaining undeveloped?
- Increased enthusiasm for on site techniques
- Treatment centres/ soil hospitals could come to the fore
- Could threaten long-term regeneration schemes



4) Summary & Forward Planning

■ Summary of Proposed Changes

- Decrease in cash value of LRR – CONFIRMED
- New planning condition – PROBABLE
- Inclusion of Japanese Knotweed – PROBABLE
- Long-term Derelict Land Relief – PROBABLE
- Withdrawal of Landfill Tax Exemption – PROBABLE



4) Summary & Forward Planning

■ Timetable

- Summary of Consultation responses now issued (Nov 07)
- Announcement/ draft legislation likely to be in New Year
- Enactment anticipated in 2008 Budget





4) Summary & Forward Planning

■ TOP TIPS

- Get familiar with NLUD to maximise opportunities
- Tax plan – be aware of where the entitlement to claim incentives sits upfront
- Make Landfill Tax Exemption applications ASAP
- CLAIM!!!!