Real Estate:UK response to HM Treasury's Consultation on Reforming Land Remediation Relief

Prepared and submitted by
Rachel Kelly
Assistant director (Finance Policy)
E: RKelly@realestateUK.org

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Summary

We welcome the publication of the consultation “Reforming Land Remediation Relief” (the Consultation), and the government’s acknowledgement in it that land remediation relief (LRR) provides meaningful benefit in some cases, but it is not fully achieving its objective of incentivising the remediation and redevelopment of brownfield land. The Consultation sets out three possible reforms to LRR, of which two - the proposals in Chapters 3 and 4) were referenced by in our response to the more general consultation on LRR run in 2025 (the

LRR Response).[1] We therefore very much welcome the willingness of the government to consult further on these reforms in the Consultation and, in particular, to confirm that if they are taken forward it expects them to be legislated in Finance Act 2027.

However, our LRR Response also highlighted other issues identified by our members as problematic in the application of LRR - including, for example, the "polluter pays" principle; the need for a major interest in land whilst works are undertaken; and the need to keep the list of contaminants updated and how relief is given. Whilst we understand the government's reasons for prioritising the possible reforms set out in the Consultation, and in particular, given current fiscal constraints, its focus on changes that will be both impactful and cost-effective, we are also conscious of the wider development viability challenges facing the sector and the need for Government to take bold action to address these viability challenges in the near term. As such, we very much hope that the Consultation is a first step in reform of LRR - and that, going forward, the government will consider further reforms to the relief – as well as wider policy support to address development viability.

Our response sets out our views on the questions raised in the Consultation. However, we would draw out the following key points:

1. **Bring forward the timing of relief under LRR for revenue expenditure:** In our LRR Response, we recommended that the government consider allowing developer-traders to elect for relief for qualifying expenditure in the accounting period in which it is incurred rather than the period when it is recognised in determining profit or loss for accounting purposes. We therefore very much welcome the proposal to introduce such an election as set out in Chapter 4. The ability to accelerate relief will provide developers with access to additional working capital as a development progresses, thereby supplementing LRR's value as an incentive with a practical funding benefit. Given this marks a significant change, we consider that

[1] British Property Federation and Association of Real Estate Funds, Joint Response to Government consultation on Land Remediation Relief (September 2025), available at https://realestateuk.org/our-work/bpf-response-to-governments-consultation-on-land-remediation-relief/

it will be important to ensure that transition works sensibly - taking into account that developers "mid-project" will have expenditure in WIP at the time that the change comes into force.

2. Changes to definitions of contaminated and derelict land: Clarity as to when land is to be regarded as either "contaminated" or "derelict" for LRR purposes is key to the efficacy of the relief as an incentive to the regeneration of brownfield land. We are concerned that the proposals in Chapters 3 and 4 to (a) use planning law to define when land is "contaminated" and (b) introduce a new definition of "derelict land" along the lines proposed in section 1.8.1 would add complexity and uncertainty to the relief, cutting across the stated aim of simplifying it. Therefore, we recommend that no changes are made to the existing definition of when land is to be regarded as "contaminated" for LRR purposes: instead, we recommend that HMRC be tasked with working with stakeholders to improve existing LRR guidance to combat perceived complexity. In relation to the meaning of "derelict land" we recommend that the government maintains the current approach, albeit updating the definition to (i) enable land that becomes derelict post-1998 to be within scope of LRR and (ii) allow for some interim use of the land pending redevelopment without prejudicing the ability to later claim for LRR. In relation to the first of these changes, our preference would be for a rolling 10-year requirement of dereliction (as suggested in last year's consultation), rather than simply replacing 1 April 1998 with a fixed single later date.

3. Address wider development viability challenges
   Making improvements to LRR alone will not address viability challenges for brownfield land. Real estate is currently facing a severe viability crisis. Development schemes expected to deliver returns five years ago are now increasingly loss-making. The impact is clear: in the year to June 2026, build to rent (BTR) construction starts fell by 80%[2]. The wider market is also under strain, with the S&P

[2] Starts on site for new BTR homes fall by 79% across the UK | Real Estate:UK

UK Construction PMI at 38.4 in June[3], its second-sharpest monthly contraction since the pandemic (and in negative territory since January 2025). Our recent Budget representation[4] sets out a number of impactful and cost effective measures to help unlock the development viability crisis and ensure our real estate sector can better contribute to our nation priorities, from house building to re-industrialisation and growth.

[3] S&P Global UK Construction PMI

[4] RE:UK Budget Representation 2026 | Real Estate:UK

Response to Consultation

Aligning with Planning Processes: Questions 1 - 12

1. In relation to questions 1 and 2, although we agree that having different definitions of "contamination" under each of tax, planning and environmental legislation can add to administrative burdens for businesses, nevertheless the different definitions reflect the different purposes that each set of rules serves. For example, whilst the LRR regime is focused on defining the scope of works for which relief is available in relation to land that is "contaminated", the planning process is more concerned with identifying, assessing and seeking to manage the level of risk that a contaminant may cause.

2. In relation to question 4, In addition, there are certain types of remedial work that are effectively assumed for planning purposes (and so not reflected in pre-commencement conditions) and so, if planning and tax were to be aligned as proposed, this work would fall outside the scope of LRR. Further, as we referenced in our LRR Response, contaminants may not be discovered until after work has commenced. In such circumstances, an approach to LRR that is reliant on the planning process would appear to exclude remedial work relating to such unexpected contaminants from relief (as they would obviously not be referenced in pre-commencement conditions given, they were, at that stage, "unknown").

3. In relation to question 3, we consider that there is a risk of different outcomes across different local authorities and across the devolved nations: this risk is specifically referenced in the National Contaminated Land Officers Group's "Practical guidance for land contamination regulators" (June 2026) at page 9. As a result, the risk, acknowledged in the Consultation, of a potential for a lack of consistency as between development projects carried out in different local authority areas and/or different

parts of the UK would, in our view, make it harder (not easier) for those businesses that carry out projects across the UK. Whilst the Consultation suggests the alignment would make it simpler for smaller businesses in particular to claim LRR, we would note that to be effective an aligned approach would require such businesses to factor the tax implications of proposals into its approach to a local authority for planning permission - effectively complicating (an already complex) planning process (or, alternatively, disadvantaging developers who may not necessarily involve tax advisers until later in the process). It would also mean that, as and when changes are made to planning laws, they would need to be reviewed in the context of identifying any potential Exchequer effect under LRR - meaning that over time any alignment could reduce (given the different policy considerations that apply to planning as contrasted with tax). Finally, as the government identifies in the Consultation, one of the issues impacting LRR's efficacy as a relief is a lack of awareness among developers (particularly SMEs): aligning the two processes is unlikely to assist in increasing awareness of the relief.

4. In relation to question 4, we note that there are certain types of remedial work that are effectively assumed for planning purposes (and so not reflected in pre-commencement conditions) and so, if planning and tax were to be aligned as proposed, this work would fall outside the scope of LRR. Further, as we referenced in our LRR Response, contaminants may not be discovered until after work has commenced. In such circumstances, an approach to LRR that is reliant on the planning process would appear to exclude remedial work relating to such unexpected contaminants from relief (as they would obviously not be referenced in pre-commencement conditions given, they were, at that stage, "unknown").

5. In relation to question 8, we also consider that the need for a local authority discharge certificate before relief can be claimed could cause delays - for example, if a project tales place over several years, but the local authority will only issue a discharge certificate once all works are completed, it is not clear how a developer would be able

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to claim "in-year" relief (whether under s1147 CTA 2009 or any new accelerated revenue relief as proposed in Chapter 5).

6. As a result, with reference to question 9. we do not support replacing the current tax definitions with a process aligned with local authority sourced planning terms - particularly if, in any event, there would need to be a separately maintained list of eligible contaminants for projects that do not require planning permission (as well a tax override for certain contaminants which would remain excluded). Having two separate systems for relief, based on whether planning permission was needed or not, cuts across any possible simplification, and leads to a risk of a different LRR outcome for projects where the same contaminant was present.

7. If, however, the government were to consider that a possible alignment of these different regimes may provide simplification benefits, then we would recommend a detailed review of all three regimes individually before proposing any change to the current LRR regime, rather than simply providing that one (here, tax (LRR)) should follow another (here, planning).

8. In the Consultation, the government states that a reason for this proposal is that the complexity of the tax-specific definitions and requirements can deter developers, particularly SMEs, for claiming LRR. In our LRR Response, we emphasised the importance of clear guidance being available for taxpayers and their agents relating to both LRR itself and the process for claiming it. In our view, any complexity would be best resolved by improving the current guidance on LRR. We would therefore recommend that HMRC work with tax professional bodies and specialist advisers on LRR in reviewing the current guidance with a view to identifying possible changes that allow it to provide a clear exposition of when relief is available in relation to a project, with realistic examples.

9. At the same time, we suggest that HMRC considers options for a targeted information and education campaign about LRR, including any changes resulting from the Consultation to increase awareness and understanding of LRR (for example, as was done for R&D relief when first introduced). Such a campaign could include webinars as well as factsheets published on relevant government websites (e.g. HMRC and MHLGC), that can then be linked to by representative bodies.

10. We would also suggest that the LRR guidance is moved to a separate manual (given the lack of synergy between land remediation and general intangible assets within the (single) Corporate Intangibles and Research Manual). We also suggest clear signposts to the relief are included in the Corporate Tax Manual (in CTM01000) rather than just being referenced in relation to making claims at CTM906032). Improving understanding of LRR through administrative processes is, in our view, a preferable (and more proportionate) way of assisting businesses to understand how LRR works.

11. We have seen a final draft of a response to the Consultation prepared by The Fiscal Incentives Group Limited and we support their detailed comments in relation to questions 1, 2, 4, 5, 8 and 10.

Derelict Land: Questions 13 - 25 and 35 (transition)

12. We welcome the proposal to amend the definition of "derelict land" for LRR purposes; in our LRR Response, we recommended that this be revisited, noting that, as a matter of principle, the specifics of this condition should align with the policy that underlay the legislation when initially enacted (at which point the condition required the land to have been derelict for at least 11 years).

Proposed new definition of "derelict land'

13. In relation to questions 17 and 19, whilst we acknowledge the government's objective in ensuring LRR is correctly targeted at remediation of derelict brownfield land (and

also to minimise the risk of misuse of the relief), we are concerned that the initial draft definition of "derelict land" proposed in Chapter 3 will simply add complexity to the LRR regime. Whilst we assume "productive use" is likely be construed broadly as now, the proposed definition adds a number of new requirements - and concepts - to the relief, each of which a developer would need to be confident was satisfied before considering a claim for LRR. These involve a third limb to the definition of derelict land in section 1145A CTA 2009 as well as four "interpretation" sub-clauses (which state when land should not be regarded as meeting the main definition).

14. We assume that the nature of these concepts means that they are unlikely to be able to be defined in legislation (for example, "merely vacant" and "advanced disrepair") given that their interpretation may depend on the factual context. Further, we would query what is meant by "economic entity": corporation tax generally distinguishes between companies and groups, and so this seems to create a new concept outside those terms - and may also be problematic if, say, a company that is a member of one group is, within the stated 5 year period, in sub-clause (b), sold to another group[5]. In terms of what is meant by "underused' in sub-clause (a), the separate exclusion of "<u>any</u> economic, social, amenity, ancillary or interim use" in sub-clause (d) adds a degree of uncertainty - as if any such use (of whatever scale) prevents land qualifying as derelict, in what circumstances can land be "used" that would be "underuse"?. This places even more emphasis on the role of guidance in "explaining" the definition, which will need to be monitored and updated to ensure the new test can be applied easily in practice as those looking to access the relief must be able to understand its parameters. We are concerned that the proposed sub-clauses will simply add complexity.

15. In relation to sub-clause (b), it is possible that a person may acquire land with a view to "future development" and then hold it for at least five years before undertaking remedial works without there necessarily being an intention to "misuse the relief". For

[5] For example, In this case, is the relevant "economic entity" the company, the first group or the second group?

example, complications around planning permissions - outside the developer's control - can delay works: this can be a particular issue around the more complex sites. Further if a person acquires land, and applies for planning permission, then the land would (we assume) be "awaiting redevelopment" because of that planning application - such that the five-year rule is redundant - as sub-clause (a) would then prevent the land qualifying. As it therefore seems that sub-clauses (a) and (b) potentially preclude developers obtaining relief for costs that would be expected to be in scope as a matter of policy, we anticipate that there would be a need for exceptions to these sub-clauses to address commercial situations where relief should be available, adding further complexity.

16. Further, the definition is not clear as to the time at which the conditions are to be tested: is it when land is first acquired by the developer, or is it at the time the works are to be started, or throughout the period from acquisition to development? If the former, then are the sub-clauses to take into account the actions of a (third party) previous owner - e.g. if they allowed the brownfield site to be used for parking, with no intent to develop, does that preclude the land being "derelict" if, say, existing licences mean that parking continues for a limited period after acquisition? If either of the latter two, then sub-clause (d) appears to preclude the developer trying to access any value from the site (as a car park or a home for advertising hoardings) in the interim if they wish to preserve an ability to claim - yet the interim use may serve a useful purpose in allowing the developer to defray some of its costs through the generation of (some, albeit limited) income, as well as serving a social and/or economic purpose for the community (e.g. if parking): see further below.

17. In our LRR Response, we highlighted a concern that the nature of LRR (and in particular the definition of "qualifying works") meant that it encourages a developer to completely clear a site (i.e. demolishing all existing buildings) which may be the least sustainable option in relation to a particular site if, say, (some or all) of that pre-existing building infrastructure can be repurposed within the new development. We

therefore recommended that the government consider amending the relief to accommodate refurbishments of existing buildings on otherwise "derelict" land: dereliction is more concerned with the length of time a site is undeveloped, rather than whether eventual redevelopment requires buildings to be cleared or repurposed.

18. Although the Consultation states that government is not intending to revisit the definition of "qualifying works", we note that the proposed definition of "derelict land" further entrenches the focus on site clearance as the only means to access value from derelict land. This is because, whilst condition (b) requires the removal of buildings for land to be able to be productive, it does not necessarily require all buildings to be removed; but sub-clause (c) appears to implicitly require this given a need to establish that, unless the site is cleared, there is no ability to gain any form of economic benefit (whether or not "productive use") if LRR is to be available.

19. The new definition is also unclear as to whether "any economic, social, amenity, ancillary or interim use, including use for parking, storage, access, advertising, open space, or recreation: would be regarded as "productive use" (as if it is, it is unclear what sub-clause (d) adds to (c)). However, under the existing rules, CIRD62001 states:

> "The term "productive state" has a wide meaning. It includes land that is in economic use, for example as retail premises or a car park, and land that has a social use, as housing or a recreational area".

20. This suggests that HMRC see usage within sub-clause (d) as productive: if that is so, given the same terminology in the proposed draft definition then (d) appears redundant as such (productive) usage is possible without clearing the site. The inclusion of sub-clause (d) therefore creates uncertainty as to the proposed meaning of "productive use" - an issue that is as relevant to the existing definition in s1145A CTA 2009 as to the proposed new definition.

This suggests that the interpretation of "productive use" (whether as per guidance or the new definition) preclude a developer trying to access any value from the site (say, as a car park or a home for advertising hoardings) in the interim in order to preserve an ability to claim. This seems unduly harsh: as above, interim (or "meanwhile) use may serve a useful purpose in allowing the developer to defray some of its costs through the generation of (some) income whilst, say, it finalises its plans for redevelopment as well as potentially serving a social and/or economic purpose for the community - but is interim use only, as contrasted with redevelopment plans. We would therefore suggest that the meaning of "productive use" for these purposes be revisited: in particular, we question whether "productive use" should be targeted instead at where usage is of a more material nature than, say, use of part of a site for a hoarding or car park.

21. Whilst the current guidance relating to "productive state" refers to an exception for "temporary use" (see CIRD62001), this is very limited (and in any event appears to be by concession). However, the principle of "temporary" and "insubstantial" use is something that we consider could be helpful in this context - and we would recommend that the government revisit the length/type of use could qualify as "temporary" without prejudicing a land's derelict status and legislate accordingly.

Updating the "1998" qualifying date

22. In relation to questions 24 and 25, our preference is therefore maintaining the existing definition of "derelict land", relying on a simple date cut-off for dereliction by updating the 1998 qualifying date to a more recent year. This offers a more proportionate alternative, particularly given the clarity such an approach will offer to developers. If this route were followed, we would suggest the government adopt a 10-year test (as suggested in the earlier consultation). As 10 years represents a significant holding period, it seems unlikely that, as a commercial matter this would incentivise land being moved into dereliction (in the hope of being able to sell to a person able to access (some) LRR 10 years later - particularly given change of law risk in the interim.

However, as referenced in our LRR Response, there is the possibility of a developer holding back development plans in order to get to the 10 year point before starting works. If there is a concern with this approach, one possibility would be to link “dereliction” of a site not only to the period in which the land has been derelict (as defined), but also to (say) either entry on the Brownfield Register (albeit this is currently only relevant to residential land), eligibility for a building safety levy discount as Previously Developed Land or (as and when introduced) the land having a Brownfield Passport, or a similar objective condition. Moving to a “10 year look-back” has the benefit of a once and for all change: if the government were however to prefer simply replacing the current fixed 1998 date with a new (more recent) date - so, assuming a 10 year cut off, April 2017 - then we would recommend that the government keep this under review (as otherwise, over time, there will be less land that satisfies the definition - as is the case now with the 1998 date).

Transition

23. We assume that, if legislation for this reform is to be included in Finance Bill 2026-2027, any new definition would apply from a specified date (e.g. 1 April 2027). In response to question 14, if it applies to land that meets the applicable 10 year requirement at that time, it means that a developer who holds derelict land acquired in the past without expecting to be able to claim LRR (as dereliction occurred after April 1998) would be able now to access LRR putting them in a more favourable position that a developer that had acquired a similar piece of land, but had developed it (without LRR) pre-2027. Neutrality may lead to a decision that the new 10-year test applies only to sites acquired on or after 1 April 2027; however, counter to this, the role of LRR as an incentive to development of derelict sites would suggest that relief should be available regardless of the date of acquisition, given the other conditions as to qualifying works that ensure the relief is targeted at the activities the government wishes to incentivise. Our preference is for the latter, although we recognise that fiscal considerations may impact decisions on commencement.

24. Further, in any event, if the legislation adopts a "10 year test", it should make clear the relevant date from which the 10 year period is to be counted back in respect of any claim (something that was not relevant to a fixed date of 1 April 1998).

Rate of relief

25. The Consultation states that the current 150% relief will be available for pre-1998 derelict land "with an improved definition of long-term dereliction" and that this same level of relief will apply to post-1998 derelict land as part of a "significant relaxation" of the rules - unless the land becomes derelict after 2027 (when relief would only be available at 100%). In terms of pre-1998 land, it is unclear whether the "improved definition" is meant to refer to the initial draft new definition, or if a different definition for such land is to apply: in this context however as pre-1998 derelict land has always been in scope of LRR, we consider it should remain subject to the same definition as now.

26. As a general matter we consider that it is unhelpful to have different rates of relief for remediation carried out on "derelict land" that meets the same statutory definition simply by reference to the "date" of dereliction in the context of the purpose of the relief: not only does this militate against simplicity and tax neutrality, it also risks creating a cliff-edge with challenges (for developer and HMRC) in establishing precisely when the relevant land first became (or "was made") derelict as that term is interpreted for these purposes.

27. Secondly, the purpose of LRR is to incentivise particular remedial activity on particular types of site. With full expensing available now under the capital allowance regime, and normal trading deductions for revenue expenditure at 100% of the expense (assuming it is revenue, not capital and meets the "wholly and exclusively" test), a relief of 100% would not seem to serve that purpose effectively. For developer-traders in particular, assuming the change set out in Chapter 4 is enacted, any benefit would be limited to timing only (and, given the costs involved in making claim, the resulting

cost/benefit analysis could potentially mean a LRR claim is not worthwhile).

28. Further, if the government accepts (as it appears to have done) that post-1998 land can now be in scope of LRR, it seems to us that it should be eligible for the same relief as pre-1998 land. Whilst this may have fiscal consequences, the Summary of Responses references that most respondents to the original consultation said that "the proportion of overall costs eligible for LRR is low" (representing "for most sites… only 1-2% of total project costs") . On this basis, it seems unlikely that providing 150% relief to post-2027 derelict land could have a material inflationary effect on land prices by itself - a reason given for reducing the rate of relief going forward (although we have not ourselves sought to model the impact).

Other changes to LRR in relation to derelict land

29. At question 13, the Consultation asks if additional reforms to LRR would be necessary to incentivise the remediation of derelict land. In our LRR Response, we highlighted a number of concerns raised by members about the design of the relief. These concerns included issues with the current definition of "qualifying works", which our members considered too limited in terms of scope. Whilst we note that the government has said it does not intend to amend the definition of "qualifying works", we ask that it reconsider its position on this in relation to the following two types of works:
    29.1. removal of above and below ground buildings structures (currently LRR is limited to removals of certain structures only - e.g. building foundations and machinery bases and certain basements - but, given the definition of derelict land assumes the need to remove buildings and structures in order for the land to regain productive use, it seems reasonable to expect that LRR is available in respect of removal of those buildings and structures that are taken to be contributing to its dereliction); and
    29.2. works to divert live services on a particular site (as in some cases, whilst the site needs may mean diversion, rather than removal, is the appropriate

action to take, LRR is only available in relation to below ground removal of services).

30. In addition, in our LRR Response, we suggested the list of qualifying works be amended to accommodate refurbishments of existing buildings on otherwise "derelict" land. This is linked to the point made in paragraph 17 above that, on some sites, refurbishing existing buildings may be a more sustainable option and so should be incentivised in the same way as other remediation works are by LRR. We recognise however that this would involve a more significant change to "qualifying works" than the two changes suggested above (which flow from the current list) - and so ask that the government keep this aspect of LRR under review and consider making such a change at a future fiscal event.

31. The Consultation references government concerns as to possible misuse of the relief, querying whether the proposed definition would protect against this risk. We are not in a position to comment on question 20, or indeed comment more generally on how to manage the risk of misuse of the relief (or fraud).[6] However, if, from experience of claims for LRR, HMRC have evidence of potential misuse of the scheme, we recommend that they work with stakeholders on how best to prevent that misuse, to the extent not already catered for by the existing TAAR in s1169 CTA 2009.

32. We have no comments on any of questions 15, 16, 21 and 23.

Timing of the Relief: Questions 26 - 29 and 35 (transition)

33. We very much welcome the proposal to allow developers to elect to treat any LRR qualifying expenditure as a deduction in the accounting period in which that expenditure is incurred, rather than in the accounting period in which the relevant expenditure would ordinarily be recognised in the developer's accounts under GAAP (i.e. when development is completed and the relevant property in question is sold).

[6] See also our LRR Response in relation to question 17 and 18.

This was one of the specific changes to LRR that we asked the government to consider in our LRR Response.[7]

34. As set out in the Consultation, where a company makes such an election, there will be a timing difference between the treatment of such expenditure in the company's accounts for tax purposes, impacting any deferred tax provisions. We do not consider that it would be particularly problematic in practice for a company that opts to accelerate the timing of relief for LRR to manage this timing difference, both at the time the expenditure is incurred and when the timing difference is unwound when the development is sold: noting that if a company were to see this as problematic it could simply continue to claim LLR as now (i.e. at the point of sale). We note here the explanation provided by The Fiscal Incentives Group in their response to the Consultation in relation to questions 26, 28 and 29.

35. Given that this would be a significant (albeit welcome) change, it will be important that both the nature and effect of this change to LRR are communicated clearly by HMRC through various channels (including for example through webinars). In addition, it will be important that HMRC provide clear guidance in its manual on the new rule, including guidance on how to opt for accelerated relief, with realistic worked examples showing the different positions of a developer that opts for accelerated relief and a developer that continues to claim LRR under the existing rules. Given the close links between tax and accounting in various parts of the Corporation Tax Acts, and the inclusion in some manuals of a summary of the key accounting principles relevant to tax treatment (e.g. the Corporate Finance Manual), it would also be helpful for any guidance to highlight the specific accounting consequences of opting for accelerated relief.

36. Whilst we are unable to comment specifically on the impact of accelerated relief on developer behaviour in terms of making unviable sites viable etc., as we set out in our

[7] See our LRR Response at question 5.

LRR Response, timing matters - the closer in time that the relief/grant is "matched" to when the expense is incurred, the more beneficial the support will be (on a net present value basis). The provision of (150%) relief closer to the time that the developer is having to fund the cost of qualifying remedial works should operate as (in effect) additional working capital support - with, assuming the project is successful, the developer effectively repaying the support given by the earlier tax saving at the time it is unwound on eventual sale (when profit is realised). The value of the support given by accelerated relief to a particular project will however be fact dependent - by reference to the quantum of qualifying expenditure and the assumed project life (the longer the time period between the remediation work and completion of the project the greater the benefit given how models assess internal rates of return).

37. In general, where corporation tax rates remain constant, the difference between the two relief options should be timing only: however, by accelerating relief, the developer may assume a change of rate risk which, depending on the nature and extent of the change to corporation tax rates, could either increase or decrease the overall benefit of acceleration. Whilst change of rate risk is not unique to reliefs such as LRR, we would reiterate a point we have made in other contexts: the importance of both stability and predictability within the UK's business tax system (something which the government expressly recognised when it published its Corporate Tax Roadmap in October 2024).

Transition

38. In Chapter 5, there is a reference to possible transitional measures with the government stating, "Companies may continue to claim relief under the existing rules for qualifying expenditure incurred on or before a given date as part of this transition period, before moving over fully to the reformed relief".

39. We consider that the introduction of an election to treat qualifying LRR expenditure as a deduction in the year the expenditure is incurred should be introduced with effect

for specified accounting periods, rather than by reference to a “given date” as such. In that context, there appear to be the following three options for commencement (assuming, for these purposes, that the measure is included in Finance Act 2027):

39.1. first, for the election to be available for accounting periods that start on or after 1 April 2027;[8]

39.2. secondly, for the election to be available in the first accounting period to end on or after 1 April 2027 (and subsequent accounting periods); and

39.3. thirdly, for any actual accounting period that straddles 1 April 2027 to be (in effect) divided into two accounting periods (one ending 31 March 2027; the other beginning on 1 April 2027), with the election available for qualifying expenditure incurred in the second (deemed) accounting period - which effective sets a “given date”.

40. We would recommend against the third option: although it ensures that the option is available to everyone at the same time, we consider that, in the context of LRR (a specialised relief that is limited to particular activities), this benefit is outweighed by the additional steps that will be required to apportion expenditure (for example, there may be good reasons that a time-based apportionment does not produce a "just and reasonable” outcome, leading to a need for one-to-one discussions with HMRC on the appropriate apportionment for this purposes).

41. In terms of the first two options, our preference would be the second option, Whatever commencement date is chosen, it is an effect an arbitrary date (and may bear no relation to developers’ accounting reference dates). Given the possibility of reform was raised in a July 2026 consultation, and the policy objective underlying it, we consider that there is a good case for allowing it to apply to (all) expenditure incurred in the accounting period in which the reform comes into effect. This will be particularly helpful if a developer starts a project in that period, as it means that it will

[8] If contained in Finance Act 2027, it would be expected to gain Royal Assent in March 2027 at the latest - and we have therefore for these purposes assumed the commencement date would be the immediately following financial year.

have the ability to treat all qualifying expenditure on that project consistently (rather than have to manage two different systems of relief (in terms of timing) on the same project).

42. Whilst, even under this option, a developer may have amounts of qualifying expenditure reflected in "work-in progress" in respect of earlier accounting periods (in relation to which, theoretically at least, an election could be made as it would not yet have been relieved), we recognise the difficulties (and potential fiscal impact) in allowing an election in respect of "work-in-progress" that predates the consultations on reforming LRR. For lengthy projects therefore a developer may end up applying two different sets of rules in claiming relief, with (if an election is made) obtaining relief for later expenditure earlier than for past costs (which seems slightly counterintuitive). Our suggested option is in effect a "middle ground", allowing relief for some WIP pursuant to an election, noting that how transition operates is ultimately determined by fiscal considerations.

43. Finally, consideration needs to be given to the scope of any election: a developer may undertake development projects in different companies (so each would have the ability to make an election) or in a single (main) company. It will be important to ensure clarity as to the scope of any election (and in particular the expenditure to which it relates). In this regard, we assume that the approach here is likely to follow that s1147 CTA 2009 in relation to the acceleration of relief for capital expenditure[9] (and so an election to accelerate is made in relation to specified qualifying expenditure on an accounting period by accounting period basis (rather than, say, the election being in relation to all qualifying expenditure on a particular project)). As a general point, following the approach taken in s1147 CTA 2009 would provide developers with the ability to adapt their claims to reflect the status and needs of individual projects at different times.

[9] Whilst the Consultation comments that the consequences of an election would align the treatment with that under s1147 CTA 2009, it does not comment on the mechanics of the new election.

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44. For the reasons set out above, we consider that only two of the proposed three reforms should be taken forward (being the changes discussed in Chapters 3 and 4). Of these two reforms, we consider that proposed change to the timing of relief for qualifying LRR revenue expenditure set out in Chapter 4 would be the most impactful in terms of remediation of brownfield sites. In addition, given that the impact of the change is on the timing of when relief is available rather than availability per se, we consider this reform should clearly meet the government's requirement that any reform be cost-effective as well as meaningful.

45. In relation to the reforms discussed in Chapter 3, we do not support the proposal to replace the current definition of "derelict land" with a new definition along the lines set out in that Chapter. Instead, as set out in our LRR Response, we recommend that the definition of "derelict land" be updated simply by replacing references to the 1998 date with a minimum 10-year period of dereliction (which we consider would help ensure LRR continues to incentives the type of redevelopment the relief is designed to encourage), alongside with the other changes to LRR for derelict land discussed in our response to Chapter 3 . We consider that this change would ensure that the policy underlying LRR - of bringing into productive use land that has been derelict for a significant period - is maintained (as opposed to the current position where derelict land is excluded because of a time limit set more than 20 years ago).

46. In relation to the proposal discussed in Chapter 2, we consider this could have unintended consequences (including the possibility of removing expenditure that previously qualified for LRR from relief without, in practice, providing any of the simplification benefits that the proposal seeks to provide).

47. We have discussed our views on transitional arrangements in relation to each of the proposals in Chapters 3 and 4 as part of our comments on the proposals themselves above. As a general matter, however, to help businesses prepare and plan for the

changes HMRC need to provide draft updated guidance explains the changes (both in technical and practical terms) in advance of the changes coming into effect so businesses are able to assess what the changes will mean for them (so, for example, if legislation dealing with the changes was to be included in Finance Bill 2026-27 with a proposed commencement date of 1 April 2027, we would recommend draft guidance be available no later than 31 December 2026 (3 months before commencement). We would also suggest HMRC implement a targeted communications campaign (working as required with other governmental departments focused on encouraging brownfield redevelopment), to raise awareness of LRR and these changes.

Other recommended LRR changes

48. Whilst the current Consultation focuses on three key areas for reform, the Summary of Responses published as part of Tax Update 2026 highlights a number of other aspects of the relief that stakeholders identified as limiting LRR's effectiveness. We therefore hope that this Consultation is a first step, and that the government will continue its engagement with stakeholders in relation to other possible reforms to LRR.

Qualifying works

49. We have suggested above, in our comments on Chapter 3, changes to the list of "qualifying works" in relation to bringing derelict land back into productive use.

Polluter pays principle

50. In addition, our members continue to highlight that the current form of the "polluter pays" principle gives rise to significant issues in practice when identifying if LRR is available or not. We referenced some of these issues in our LRR response:

> "First, it is not uncommon for land to be acquired in a "corporate wrapper" (so, rather than buy the land itself, the developer acquires shares in a company that owns the land). This means that, at the time of a future development, the

developer and the owner of the land would be "connected". This could lead to evidential challenges in demonstrating that the contamination does not result from something done (or not done) by that owner in the past, impacting the ability to access LRR in the context of a "normal" commercial acquisition route.

Secondly, in relation to some developments, the original owner of the land retains the freehold, with the developer being granted a (long) leasehold interest. We understand from members that this is often the case where land is owned by a local authority. If the pollution was "caused" by the freeholder, then s1150(2) CTA 2009 would prevent the developer obtaining relief even though the "polluter's" " retained (reversionary) interest in the land is limited because of the long lease granted to the developer (which will often operate as a so-called "effective freehold", given both the rights conferred and its term). A similar issue arises where a developer acquires land subject to existing occupational leases. If an existing tenant's activities cause contamination, then because they then have a relevant interest in land, s1150(2) CTA 2009 would again appear to be in point.

In this context, a particular issue is the lack of any ability to disaggregate - or rather separate out - different sources of contaminant. So, for example assume that, when the developer acquires the site, there is an existing tenant (to which the developer becomes landlord) that is causing pollution. On investigating the site, the developer discovers asbestos in certain existing buildings (unrelated to the activity of the tenant). We understand from members that in such circumstances the developer is not able to claim LRR in relation to dealing with the asbestos because of the "polluter pays" principle is invoked due to the tenant's activities.

Thirdly, as a practical matter, this requirement can lead to a developer having to carry out a detailed due diligence exercise (with timing and cost implications) to trace the history of the site, and the activities carried out on it, to identify if s1150 CTA 2009 applies."

51. As set out in our LRR Response, we recognise the importance of preventing those that have caused pollution obtaining tax relief for "cleaning up" their land. However, given the issues that the current test is causing for developers who have no connection to the cause of the underlying pollution, we ask that HMRC establish a working group to consider possible reforms to the "polluter pays" principle in order that it is better targeted at those actually responsible for the pollution only.

Interaction with property business commencement

52. Under the existing LRR rules, where a company is developing to invest then, generally, LRR is able to be claimed in the accounting period in which the expenditure is incurred (whether the expenditure is income or, where s1147 CTA 2009 applies, capital). The proposed change to timing of relief for those developing to sell therefore enables "equal" treatment in terms of timing of claims between these two types of developer.

53. However, for a company developing to invest, its ability to get relief for expenditure on remedial works in the accounting period in which it incurs that expenditure is dependent on it carrying on a property business at that time: otherwise the relief is effectively held over until such time that the property business commences (s 61(1) and s1147(7) CTA 2009). This can be potentially several years after the costs are incurred given HMRC's view that a property business only starts as rental income is able to be generated (PIM2505). This means that, although the reform proposed in Chapter 4 appears to equalise timing of relief as between traders and investors, in practice this may not be the reality. We raise this as we understand that there are ongoing discussions between stakeholders and HMRC/HM Treasury on when a property business should be regarded as commencing, and LRR is one of the tax

regimes to which those discussions are relevant.[10]

Guidance and monitoring

54. We recommend above that HMRC update, and seek to simplify, their guidance on LRR (and so suggest that an achievable timeline is set for doing this). As part of this, given the specialised nature of the relief (and indeed the nature of and need for the types of remediation work in scope), we suggest that consideration is given to what additional training and support could be accessed by the relevant HMRC team to assist them, not only in ensuring that the guidance "works" for taxpayers, particularly SMEs, but also in their interactions with taxpayers.

55. Finally, we recommend that, whether or not reforms are taken forward at this time, going forward HMRC should publish (annually) statistics relating to claims made for this relief. Not only would this improve transparency but would also assist both HMRC and stakeholders in identifying (a) if the reforms are taken forward, their impact and (b) through monitoring the relief over time, the extent to which further reforms may be justified.

[10] See for example letter from CIOT to HMRC dated 26 June 2023 available at https://www.tax.org.uk/ref1084