Housing supply: land remediation relief

Large Corporate | Property Tax

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The CIOT's recent position paper, sent to HM Treasury and HMRC, considers the timing of land remediation relief for housebuilders and developer traders, and the possible benefits of accelerating relief by election.

The CIOT's response to the consultation on land remediation relief (LRR) in 2025 considered the possible benefits of accelerating relief for qualifying expenditure by election at the point the expenditure is incurred, bearing in mind the policy intent of the relief.

We are aware there is a broad industry interest in accelerated relief and have therefore developed a neutral evaluation. This was sent to HM Treasury and HMRC in May 2026, and has subsequently been discussed with both departments.

The issue: timing of the relief for housebuilders and other developer traders

There can be significant time lags between incurring remediation costs and the final sale of a constructed building or of a tranche of houses. For housebuilders, under UK GAAP, profits are not recognised until sale. As a result, revenue expenditure, and therefore the benefit of LRR, is reflected in the corporation tax line of the profit and loss account only when the homes are sold, not at the earlier date when expenditure is incurred. Typically, the time lag is around five years, although for some larger regeneration projects this may extend to 20 years.

How would accelerated LRR operate in practice?

A company would elect to treat any qualifying revenue (work in progress) expenditure as a deduction in the year the expenditure is incurred, rather than the date that it would otherwise become a deduction in the calculation of the profits of the trade on sale. This would be consistent with the treatment currently available for capital expenditure under CTA 2009 s 1147.

The aim would be to help achieve the LRR policy objective by generating enhanced cash flow for new development.

The timing of relief for remediation costs on revenue account would then align with that for property investors, removing the current LRR differential between property investors and traders.

The cost to the Exchequer should be limited to one of timing, if corporation tax rates remain the same.

It is recognised that some added complexity may be involved as a departure from standard accounting and tax treatment. However, there is a precedent both in LRR for capital costs of remediation and in the wider capital allowances regime.

The full evaluation is available here: www.tax.org.uk/ref1663

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