Walker Morris

The Economic Crime Levy
What housebuilders need to know

The Economic Crime Levy (**ECL**) was introduced by the Finance Act 2022 to help fund government action against money laundering and other economic crime. It is charged annually on businesses that qualify as a "relevant person" for anti-money laundering (**AML**) purposes under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, and whose UK revenue exceeds £10.2 million.

Why are housebuilders affected?

Housebuilders are not generally regulated under the Money Laundering Regulations. However, a housebuilder can be caught where it carries out "estate agency work" within the meaning of section 1 of the Estate Agents Act 1979.

HMRC guidance states that estate agency work can include construction companies and developers *"to the extent that they offer Estate Agency services beyond the sale of their own constructed or bought units"*. This may arise, for example, where land or property is held by one group company while a second group company carries out the marketing and sale on its behalf. It is also commonly seen where a housebuilder provides sales and marketing services to an external party, such as a housing association, in relation to land owned by that party.

By acting on the instructions of another entity to introduce buyers and secure a sale, the housebuilder is treated as carrying out estate agency work. This brings it within scope of the levy, even though its core business is construction and not estate agency. While a group company that sells only its own directly owned units falls outside the levy, other companies within the wider group may still be in scope.

How is the levy calculated?

The ECL is not calculated by reference to the (often small) revenue generated by the estate agency activity itself. It is calculated on the entity's entire UK revenue, placed into one of four bands:

Band	UK revenue	Annual levy (from April 1 2026)
A	£10.2m - £36m	£10,200
B	£36m - £500m	£36,000
C	£500m - £1bn	£500,000
D	£1bn+	£1,000,000

For a large housebuilder, a limited amount of estate agency activity - sometimes less than 1% of total turnover - can trigger a levy liability assessed against the whole group's UK revenue.



What steps can you take?

The levy is self-assessed and liability is not automatic or fixed once incurred. Depending on a housebuilder's business model and circumstances, there may be several routes to mitigate, avoid or challenge its exposure:

1. **Reviewing and restructuring beneficial and legal ownership arrangements:** Ownership structures may affect whether the relevant activities constitute estate agency work. Aligning legal and beneficial title in the name of the group company that owns and sells the units can remove the "third party instruction" element by giving that company exclusive entitlement to the land and the right to direct its sale.
2. **Separating out the regulated activity:** Hiving off sales and marketing functions into a separate entity, or engaging an independent third-party agent, can allow the housebuilder entity to fall outside scope and deregister.
3. **Reviewing and, where appropriate, amending a return:** A return can be amended up to 12 months after the filing deadline, including to a nil liability basis, where a business concludes its original assessment was wrong or regulated activity has since ceased.
4. **Seeking repayment of amounts overpaid:** Where HMRC accepts that ECL has been overpaid, a business may be able to claim a refund. However, relief may be limited where the business could reasonably have corrected the position earlier through an in-time amendment.

Not every option suits every structure. The most appropriate route forward will depend on the housebuilder's existing ownership and sales structure, and any restructuring will need to take account of the wider tax, commercial and operational consequences. For example, changes to land ownership or agency arrangements may have stamp duty land tax, VAT and group relief implications, which will need to be considered alongside any ECL planning.

The government has indicated that the levy will be reviewed by the end of 2027, including whether it should continue in its current form. Until then, housebuilders affected - whether through joint ventures, housing association schemes, or wider group sales arrangements - should review their current arrangements, understand where exposure arises and consider whether changes could reduce future liability or provide a basis for revisiting ECL already paid.

How we can help

The Walker Morris Regulatory & Compliance team advises on all aspects of AML compliance, including the ECL. We can help housebuilders assess their ECL exposure, review existing arrangements and determine the most appropriate approach for their particular business and group structure.

Working cross-practice with our Corporate, Real Estate and Tax teams, we can advise on and support the implementation of changes to sales arrangements and group or ownership structures, including the associated tax implications. We can also advise on historical ECL positions, including amending returns, recovering overpayments and challenging or appealing HMRC decisions.

Contacts



Andrew Northage
Partner, Regulatory & Compliance
+44 771 170 4434
andrew.northage@walkermorris.co.uk



Steve Nixon
Partner, Real Estate
+44 794 409 0602
steve.nixon@walkermorris.co.uk



Michael Cordeaux
Senior Associate, Regulatory & Compliance
+44 752 519 8955
michael.cordeaux@walkermorris.co.uk



Jocelyne Girgis
Associate, Regulatory & Compliance
+44 758 588 3144
jocelyne.girgis@walkermorris.co.uk