



# CAPITAL ALLOWANCES FOR COMMERCIAL PROPERTY OWNERS

WE CAN HELP YOU UNLOCK  
THE TAX SAVINGS AVAILABLE

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# CAPITAL ALLOWANCES EXPLAINED

## Overview

When you buy a capital asset for use in a business, you can't deduct your expenditure on that asset from your taxable profit to reduce your tax bill. Instead, you may be able to claim capital allowances.

In short capital allowances are a form of tax relief given in place of depreciation (which is not allowable for tax purposes) on qualifying items of plant and machinery. This extends to the 'fixtures' you acquire with a commercial property. Fixtures include the electrical, heating and ventilation systems, kitchens, sanitaryware, alarm systems etc.

As identifying the value of fixtures acquired with a commercial property requires the skills of surveyors and specialist tax consultants, many claims have been missed. It has been estimated that over a billion pounds of tax relief still remains unclaimed by property owners.

## Fixtures Claims for Commercial Property Owners

In most instances property owners are entitled to claim capital allowances for the proportion of the purchase price that related to the fixed plant and machinery and integral features they acquired with the property.

The tax legislation for claiming capital allowances on fixtures is complex and given that the purchase price does not normally include an apportionment for the value of the fixtures, making a claim requires the skills of professionals in tax and surveying.

Whilst many of the UK's leading businesses and property investors have benefited from the significant tax savings available, very few independent businesses and individuals have made claims.

A claim on these fixtures could represent a substantial tax savings and, in most instances, cash repayments of tax from HMRC. We are regularly making claims between 20% and 40% of properties' purchase prices, sometimes even more, for our clients.

Not every commercial property acquisition will be due the tax relief but our team can carry out all the necessary enquires to determine a property owner's entitlement to make a claim. If you can answer yes to the following questions, it is likely you could unlock some substantial tax savings.

- ✓ **Did you buy a commercial property before 1 April 2014?**
- ✓ **Did you pay over £200,000 to purchase the property?**
- ✓ **Have you paid tax in the UK in the last 2 years?**

## HOW DOES IT WORK?

The process to claim capital allowances for fixtures acquired with commercial properties is relatively straight forward and requires minimum input from property owners.

Our team has a wealth of experience of preparing and agreeing claims with HMRC. Our claim reports are in a format and using a methodology that is accepted by HMRC, meaning we can swiftly agree the claims.

### Phase 1 - The consultation

We visit you for an initial consultation where we explain the process in detail and assess if your commercial property is likely to be eligible. If you wish to go ahead, we will carry out our client take on procedure, which includes sending you our engagement letter and terms and conditions.

### Phase 2 - The validation process

Our technical specialists then carry out a detailed entitlement review to ascertain whether or not a claim for capital allowances has previously been made on the building by a relevant previous owner through HM Land Registry and other sources.

### Phase 3 - The survey

When it is clear your property is eligible, one of our experienced capital allowances surveyors will carry out a detailed survey of the property.

### Phase 4 - The Capital Allowances Valuation Report (CAVR)

Once the survey is complete our technical team prepare and deliver a report that identifies and values all the qualifying plant and machinery within the property. This report is sent for approval, either by yourself or your accountant.

### Phase 5 - Dealing with HMRC

Once approved, the CAVR is submitted to HMRC either by us or your accountant. We will deal with any queries from HMRC to agree the claim, if required.

## WHO CAN CLAIM?

Owners of commercial property, freehold or leasehold, and paying either UK corporation or income tax.

Commercial property owners are eligible to claim if they are a company, sole trader or partnership and are either carrying on a trade or a property letting business (including furnished holiday lets in the UK or European Economic Area).

'Dwelling houses' do not generally qualify. Therefore, property that has been bought to rent out on a domestic basis is usually not eligible.

There is no time limit to make the claim, providing you still own the property and the fixtures in the tax year you submit the claim. This means that even if you bought your property in the 1990s you may still be able to claim the tax relief now!

Remember, capital allowances are specifically allowed by UK tax legislation and all qualifying businesses and property investors are entitled to them.

## How much tax could I save?

Properties and their use vary and the true value will only be determined once we have conducted a full review and survey of the property.

The table below provides an indication of the percentage of a purchase price of a specific commercial property that would qualify for capital allowances:

### Typical value of claims

Offices	15% to 35%	Care homes	25% to 50%
Hotels & B&Bs	20% to 45%	Furnished holiday lets	20% to 40%
Industrial units	10% to 30%	Doctors/Vets	15% to 35%

Our Case Studies section provides some examples of the excellent results we have achieved for our clients.

## CASE STUDIES

Here are some examples of recent capital allowances claims we have prepared on a range of commercial buildings.

### Commercial Office Building in Cardiff

(purchased 2007)

Property Purchase Price	£510,000
Capital Allowances Identified	£142,000
Percentage of purchase price	28%
Clients Taxable Benefit	£29,000
Clients Tax Rate (CT Rate)	20%

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### Country House Hotel situated in the Cotswolds

(purchased 1999)

Property Purchase Price	£2,800,000
Capital Allowances Identified	£701,000
Percentage of purchase price	25%
Clients Cash Tax Benefit	£140,000
Clients Tax Rate (CT Rate)	20%

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### Country Pub/Restaurant with accommodation in Monmouthshire

(purchased 2012)

Property Purchase Price	£795,000
Capital Allowances Identified	£295,000
Percentage of purchase price	37%
Clients Cash Tax Benefit	£59,000
Clients Tax Rate (CT Rate)	20%

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### Factory with Office accommodation in Caerphilly

(purchased 2013)

Property Purchase Price	£800,000
Capital Allowances Identified	£184,000
Percentage of purchase price	23%
Clients Cash Tax Benefit	£74,000
Clients Tax Rate (Personal Tax Rate)	40%

## ABOUT US

We have a specific expertise in capital allowances and property related tax issues. Our dedicated team provides a full range of capital allowances services, unrivalled by our local competitors.

Our team is led by Matt Jeffery who is a capital allowances specialist. Having previously managed the capital allowances team at a Big 4 firm for a number of years, Matt has worked with some of the UK's leading companies and has a wealth of knowledge and experience in this area of taxation.

By applying our specialist expertise, we have been successful in maximising capital allowances claims for our clients as well as identifying numerous missed claims for tax relief. We have secured significant tax savings and, in many instances, cash tax repayments from HM Revenue & Customs (HMRC).

In addition to **Commercial property acquisition claims**, our capital allowances services include advising on:

- New build construction claims
- Property refurbishments claims
- Structuring property transactions to achieve a tax efficient solution
- Enhanced Capital Allowances consultancy
- Contaminated and derelict land relief claims
- Dealing with HMRC enquires

If you own a building and want to find out what you could claim then please don't hesitate to contact us today on **01633 810 081** for a free no obligation discussion.

## FREQUENTLY ASKED QUESTIONS

### ■ **My accountant already deals with our capital allowances. Isn't this something they should have done already?**

Most accountants do provide capital allowances advice and will claim capital allowances on qualifying capital purchases. However, to claim capital allowances on fixtures imbedded in a building you require a specialist in tax and surveying.

### ■ **My accountants are excellent and assure me they have already claimed everything we can?**

Your accountant will claim on everyday purchases such as curtains, carpets, fire extinguishers and radiator covers but unless a specialist surveyor has analysed the property you may be missing potentially large capital allowance claims. If a survey for capital allowances has never been undertaken it is highly unlikely that all allowances have been claimed.

The claims we prepare require the skills of both tax and surveying professionals, they are outside the remit of an accountant.

Generally property owners who have claimed capital allowances for fixtures would have received some cash from HMRC and will have engaged a specialist firm to prepare the claim.

### ■ **I bought my property 10 years ago. Can I still claim?**

Yes. It's still possible to claim capital allowances in a later years' tax return, as long as you still own the building.

### ■ **What if I sold it in the last 2 years?**

You may still be in time to make a claim

### ■ **Does the claim affect my capital gains tax position when I sell the property?**

No, the capital gains base cost remains the same even if capital allowances have been claimed.

### ■ **What records do we need?**

Any legal documentation in the relation to the sale (purchase contract, CPSE, completion statement) is requested but is not essential.

We generally require some information from your accountant, for example a copy of a tax return.

### ■ **Is the process complicated? I'm so busy I don't have the time for it now**

The process is very simple and requires little input from you. We will work with your accountants or advisers to ensure that this is done quickly and efficiently and with the minimum of disruption to you or your business.

Once we have established you are entitled to claim, we will undertake the site survey and then complete the claim at our offices. All we would need is for you or somebody with good knowledge of the property to be in attendance when we carry out the survey (1 to 2 hours).

**■ What if HM Revenue & Customs don't allow the claim, will I end up with penalties?**

Where a property owner meets the criteria of the legislation, they are entitled to claim the tax relief.

HM Revenue & Customs are used to dealing with these claims. In the unlikely event of any queries being raised by HMRC, it is part of our service to resolve them.

We don't proceed with claims that do not meet the requirements of the relevant tax legislation.

The claim report is submitted to HMRC with your tax return. HMRC have 12 months to enquire into the claim should they not accept it. As the report fully discloses the entitlement to the tax relief and the methodology taken, enquires by HMRC are rare.

The disclosure in the report means the risk of penalties or a discovery assessment are minor.

**■ It sounds too good to be true. There must be some hidden costs?**

We don't charge any extra costs. If a claim is not successful there will not be a fee.

Not all property owners are entitled to the allowances. We also have a minimum estimated claim value of £30,000 before we would take a client on.

This is not a tax avoidance scheme. We have agreed claims with HMRC with 100% success rate to date.

## CONTACT US

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