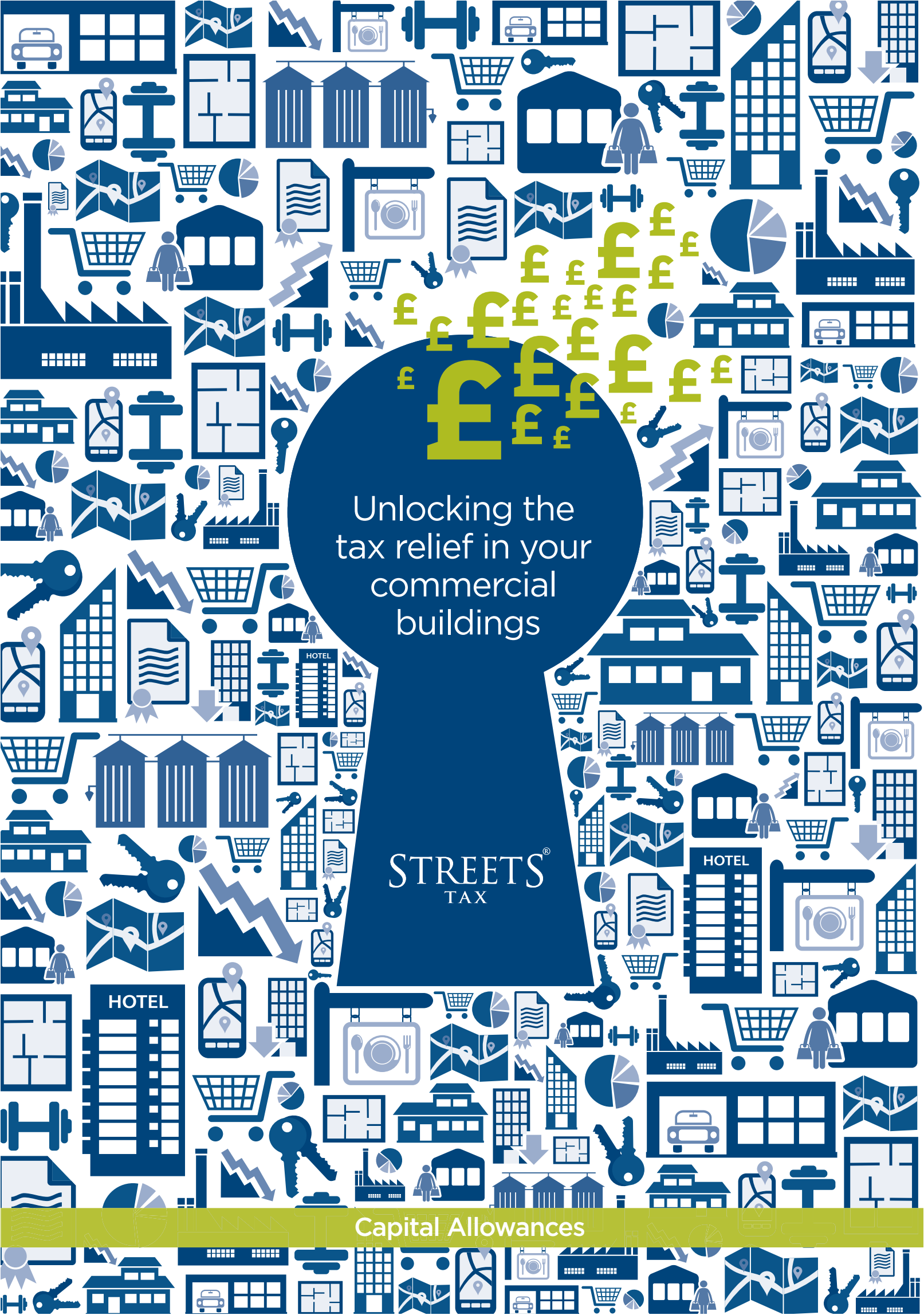




Unlocking the
tax relief in your
commercial
buildings

STREETS[®]
TAX

Capital Allowances

Streets

Streets is a leading top 40 UK firm of Chartered Accountants and Tax Advisers, servicing the needs of owner managed businesses and corporate enterprises.

The firm has considerable experience and expertise in providing advice on and agreeing capital allowance claims with HM Revenue and Customs, and has a team of specialist advisers in this area.



Contents



Tax savings by identifying unclaimed allowances in your..... commercial buildings and providing proactive planning advice	2
Why claims may be overlooked?	3
When should you seek Capital Allowances advice?	4
Our comprehensive Capital Allowances review service?	6
Case studies	7
Service to other professional advisers	8

Tax savings by identifying unclaimed tax allowances

Capital allowances are the tax allowances available to a business when it incurs capital expenditure on assets, including buildings, to be used in the course of a trade or property investment business.

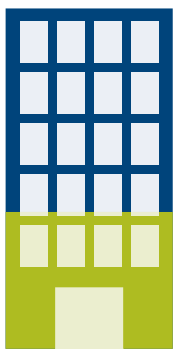
Up to 40% of the cost of certain types of buildings may qualify for tax relief in the form of capital allowances as well as various significant elements of commercial buildings such as; air conditioning systems, lighting, alarms, sanitary ware etc. Specialist knowledge is required to identify and value all of the relevant items.

In order to arrive at a comprehensive capital allowance claim in respect of a qualifying building it is necessary to understand the specification of the building and break the cost down into its component parts. This means that a detailed capital allowance survey will most likely need to be undertaken so that the eligible components of the building can be identified and then valued by reference to cost data or established valuation principles.

Many accountancy firms would not normally conduct such surveys, which mean that the full extent of tax relief available is rarely claimed.

Do not assume that just because you have a professional adviser who looks after your financial affairs that all of the eligible tax relief has been claimed. Capital allowances are a complex area of taxation that requires specialist knowledge, especially where property related matters are concerned.

If your auditors/accountants advise you that they have already looked at your buildings from a capital allowance perspective, you simply need to ask yourself whether they have visited the premises and surveyed the property for capital allowance purposes, or alternatively obtained a comprehensive cost breakdown of the build/refurbishment cost from you or your contractors, as there is no shortcut to this process.



Up to 40% ...
of the cost
of certain
types of
buildings
may qualify
for tax relief

Why claims may be over looked?



Lack of expertise

Unless a business has access to the appropriate level of expertise it is rare for all available allowances to be identified which means that the majority of businesses are not claiming all of the tax allowances they are entitled to. The ultimate consequence of this is that most businesses are paying more tax than they need to.

Complex legislation

Tax legislation covering the availability of capital allowances is complex. Many of the underlying principles that determine how certain items of expenditure are treated are deeply embedded in case law. The problem of identifying eligible expenditure is further compounded by modern day building practises. It is commonplace for building documentation to be very vague and not readily elicit the detail required to formulate a comprehensive claim for the tax allowances due. Specialist knowledge is required to ensure that the key information is obtained and to interpret such documentation to maximum effect.



Failure to identify expenditure

The most common failure in identifying eligible expenditure arises when businesses do not identify eligible expenditure within buildings that they own or lease. Items such as air conditioning systems, emergency lighting, alarms, heating systems and sanitary ware are commonplace in most commercial buildings, but tax relief on these items is often not claimed. Typically these costs are not segregated from the building cost and are coded to freehold or leasehold improvements with the available tax relief being overlooked.

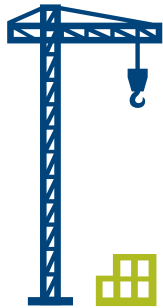
Misconception over claims timing

There is a common misconception that capital allowances need to be claimed when the cost is incurred. This is untrue. It is usually possible to make a claim for historic costs provided the claim is submitted within the statutory time limits although the time limit for making claims for allowances on the purchase of second hand buildings can be restricted in certain circumstances. The amounts involved can be substantial. Streets has made claims ranging from a few thousand pounds to millions of pounds. Our clients have benefited from substantial tax refunds as a result, as well as large reductions in future liabilities. The tax refunds go direct to the client and are often supplemented by interest where the claim results in a reduction in the tax liability of a previously submitted tax return.



When should you seek Capital Allowances Advice?

When you build, extend or refurbish a commercial property



When undertaking projects of this nature capital allowances are often overlooked and the cost is merely coded to freehold additions with no detailed work being performed to identify those elements of the cost that qualify for capital allowances.

Many qualifying items are hidden within the structure of the building but building contract documentation does not normally provide the cost analysis necessary to formulate a comprehensive capital allowance claim.

Our specialists have the expertise to look behind the building documentation so that they can identify and value the qualifying components of the building to ensure that the available tax relief is claimed.

Where you already have a commercial property portfolio dating back several years?

We can perform a detailed review of your fixed asset register in order to identify any missed allowances on previous property acquisitions, refurbishments, builds etc. It is possible to look back indefinitely provided that you still own and use the asset. This will often involve reconstructing the history of a property and reviewing historic purchase and refurbishment information in order to identify potential entitlements and missed claims.



Where you acquire a commercial property direct from the developer?

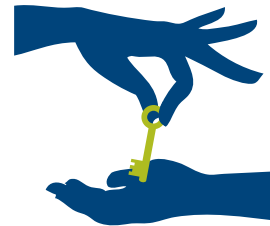
When you buy a building from the developer not only do you buy the bricks and mortar but you are also buying electrics, plumbing, heating, sanitary ware etc, etc which may qualify for capital allowances. The cost of these component parts will not be evident to you as the acquirer as you will merely pay a price for the building.



Our specialists can perform a site survey of the building and from that value up all of the qualifying components of the building in order to produce a capital allowance claim as a proportion of the purchase price. The claim can amount to in excess of 40% of the entire cost of the building in some cases.

When you acquire a second hand commercial property?

Legislation effective for acquisitions post March 2012 introduced a statutory requirement for the seller and purchaser to agree a value attributable to fixtures and fittings (those elements of the building that qualify for tax relief) in the sale documentation. The legislation also strongly encourages the parties to fix that value by way of a formal election. This is to provide certainty to both parties for tax purposes of the capital allowance consequences of the transaction.



In the absence of such an election being entered into within two years of the transaction the buyer will need to request that the case is referred to tribunal for an apportionment decision or forego any entitlement to capital allowances on the purchase. This requirement means that the true capital allowance history of the property being acquired will need to be established in order to enable the necessary documentation to be prepared and to maximise the allowances available to the purchaser.

For acquisitions after March 2014 as the purchaser of a second hand building you will only be entitled to make a claim in respect of the second hand fixtures within the building if the fixtures have been the subject of a capital allowance claim by the previous owner (assuming the previous owner was entitled to make a claim). This means that if you are acquiring from a seller who has been dilatory with their tax affairs and missed potential capital allowance claims, which is extremely common, you will suffer. There are ways around this problem but early consultation is a must. When you consider that tax relief of anywhere up to 40% of the purchase price of the building could be at stake it is important that appropriate advice is sought.

We can assist in raising appropriate enquiries of the seller and rectifying any issues before you purchase, as well as helping with the negotiations on apportionments and the drafting of relevant election and claim documentation.

When you dispose of a second hand commercial property?



As the business disposing of a second hand commercial property you will likely receive a raft of queries from the purchaser's solicitors asking you about the capital allowance history of the building. A well advised purchaser will be looking to establish the history with a view to agreeing a favourable apportionment, for themselves, of the purchase price to fixtures and fittings in order to maximise their future tax relief on the property purchase cost. They will be seeking to allocate as much of the purchase price as possible (limited to the cost incurred by the seller) to fixtures in the contract. Such an allocation will mean that future tax relief will be taken from you and you may even end up with an effective claw back of tax relief as you will need to recognise any proceeds allocated to fixtures in your capital allowance calculation.

We can assist in dealing with the queries from the purchaser and the negotiations on contract apportionments in order to ensure that you end up maximising your capital allowance position on disposal. We can also assist in drafting the relevant election documentation and provide proactive advice on how your business will be affected by the position agreed.

Our comprehensive Capital Allowances Review Service



Our dedicated team of specialist capital allowance advisers has a considerable amount of experience in identifying missed capital allowance claims and unravelling the technical documentation surrounding today's building contracts.

Initial free consultation

We offer an initial free consultation to explain our service and to review your circumstances. This usually takes the form of an informal chat at your premises, or ours, to ascertain how we can help you.

Identifying capital allowances

We will perform a detailed review of your expenditure, to identify potential capital allowance claims. You will be provided with a detailed breakdown of the proposed claim prior to submission and we will deal with any queries you may have.

Submitting your claim

We will complete all the necessary documentation required by HMRC, to make the additional claim for allowances and submit the claim on your behalf if you wish or alternatively provide you with the relevant details to supply to your existing firm of accountants.

We will advise you of the effect of making the claim on your tax position and provide you with details of the resulting repayment where appropriate.

Negotiating with HMRC

We will liaise with HMRC to ensure that any tax repayment due is obtained at the earliest opportunity.

We will agree the claim with HMRC and deal with any queries they may raise.

Flexible fee arrangements

We provide a clear fee basis from the outset, often providing our services on a contingent fee basis. The fee will be directly linked to the allowances we successfully claim on your behalf, so if we fail to provide a benefit there will be no cost.

Complementing your existing auditors and accountants

We do not wish to compromise your relationship with your existing auditors and accountants but to complement it. We are therefore happy to liaise with them to whatever extent you feel appropriate.

Case Studies

Portfolio review of Property Investment Company – retrospective claim

The company is a large property investment company with an annual turnover in excess of £3.5million. A review of the company's historic capital expenditure was performed, which resulted in the identification of additional expenditure eligible for capital allowances in excess of £5.8 million. This equates to a future tax saving of £1.7 million.

Refurbishment – health centre

Our client refurbished a health centre including structural alterations at a cost of £478,000. A detailed review of the expenditure was performed which identified eligible plant of £228,000 and repair costs of £8,000. The overall saving for the client associated with the review was £70,800.



New build – purpose built office block

The company constructed a purpose built office block at a cost of £3.8 million. Streets was engaged to perform a detailed capital allowance review of the new build ensuring that all elements of plant were identified for instance air conditioning, emergency lighting, specialist cabling, sanitary ware etc. Plant totalling £1.3 million was identified and claimed. The tax saving associated with the allowances identified amounted to approximately £390,000.

New build – high specification food preparation factory with green technology

Our client constructed a new state of the art food preparation factory at a cost of £3 million. Streets undertook a detailed review of the project spend maximising the claim for plant, integral features and enhanced capital allowances. Eligible costs identified were in excess of £1.3 million which resulted in future tax savings in excess of £300,000.

Other Projects Undertaken Include:

- Full refurbishment and extension of care home facility
- New build and refurbishment of retail premises
- New build gym and leisure facility
- New build supermarket
- New build food preparation and storage facilities
- New build modern offices
- New build and refurbishment car showroom
- New build student accommodation blocks
- New build cold storage facilities
- New build garages and filling stations
- Refurbishment of bar & restaurant
- New build pack house and processing building
- Apportionment claims on second hand commercial building purchases



Services to other professional advisers



Consultants - Surveyors

Streets offer a complete range of capital allowances advice for the clients of surveyors including pre-purchase or disposal due diligence reports, estimates of potential allowances available and research into legal entitlement to make claims in respect of the interest to be acquired.

General practice surveyors are responsible for advising their clients on the commercial attractiveness of particular properties as investments. However, few surveyors consider the potential level of capital allowances when calculating investment yields. We can assist with this.

Banks

We can provide an indication of the likely level of allowances due on a customer's potential property acquisition as part of the lending due diligence process.

We can assess the impact of the allowances due to the purchaser in terms of reduced tax liabilities and increased cash flow and can assist the customer throughout the purchase process to ensure that their tax position is optimised.



Accountants/Solicitors

We receive referrals from other firms of accountants who request our assistance in helping their clients to maximise their capital allowance position. We can provide such services directly to your client or leave you to manage the client relationship with us in the background.

Streets ahead on property matters

Development, investment, a home for your business or buy to let

Our specialist property advice and services include:

- VAT planning and advice, including the option to tax and registration
- Capital Gains implications and planning
- Funding
- Stamp Duty Land Tax planning
- Ownership of property – principally business, private or pension
- Treatment of tax in relation to buy to let
- Capital Allowances planning and review
- Estate planning and Inheritance Tax

As part of a complete service we have established close working relations with other professionals including property surveyors, valuers and solicitors specialising in property matters.

STREETS[®] TAX



Offices in:

Bedford (Wyboston Lakes) **01480 373000**
Cambridge **01223 570000**
Grantham and Newark
(Long Bennington) **01476 590838**
Hull **01482 225399**
Lincoln **01522 551200**
London **020 35516800**
Manchester **0161 4570270**
Newmarket **01638 660661**
Peterborough **01733 312191**
Sheffield **01142 300830**
Stevenage **01438 870100**



info@streetsweb.co.uk



www.streetsweb.co.uk



Follow us on twitter **@streetsacc**



Connect with us on **LinkedIn**

Download our free app



Download our App
Streets iAccountant



Available on the
App Store



GET IT ON
Google play

Streets Tax is a trading style of Streets Tax LLP, registered number OC309379. Streets Tax LLP is a limited liability partnership registered in England and its registered office is Tower House, Lucy Tower Street, Lincoln LN1 1XW. A list of members is open to inspect at the registered office.