

CAPITAL ALLOWANCES

Capital allowances are available on new structures and buildings, property purchases and sales, and new build and refurbishments. Enhanced tax reliefs are also available for contaminated land and green technology usage.

Is there a time limit for claiming capital allowances?

For expenditure incurred on properties or leasehold interests, it is possible to make a claim in open tax returns provided the property is still in use in the tax return period.

For the purchase of second hand properties it depends on when you purchased the property. For all properties acquired pre April 2012, it is possible to make a claim for capital allowances in the tax return up until the final accounting period you still own the property, subject to restrictions for claims already made by former owners. This means if you acquired the property a number of years ago it is still possible to make a claim for allowances now.

However, recent rules changes mean that for properties acquired post April 2012, where a property is purchased from a UK tax payer it is generally necessary to agree a value for the plant fixtures to be passed from the seller to the buyer within two years of the date of acquisition to become entitled to those allowances at the property that the seller was entitled to claim.

Can I still benefit from the allowances if I sell the property? Will I lose all the capital allowances if I sell my commercial property?

Yes. You can retain and continue to claim allowances against any future taxable income of the same trade.

You will need to insert a tax election within the sale and purchase contract to retain allowances going forward. This election will need to be agreed and signed by both parties (vendor and buyer). If there is no election then any previously claimed allowances can be claimed back.

Can capital allowance be claimed on an office built ten years ago and when there is no cost information available?

The lack of cost information is not a problem; following a site visit, we will be able to assess the cost and establish the level of detail required to prepare a fully substantiated and supported claim.

What is the difference between a property trader and a property investor?

Capital allowances are only available for capital expenditure. So typically only available to property investors, owner occupiers or occupiers incurring expenditure under a short lease.

A property investor has the intention on purchase to keep a property as a long term investment. Usually they will receive rental income and have capital gains on the property over time. The accounting treatment of the property will be as a capital asset.

A property trader has the intention to buy to sell on the short to medium term. Expenditure will be revenue in nature and the accounting treatment of the property will be as trading stock. Traders can only claim capital allowances if the property is genuinely held as an investment.

What capital allowances are available on investment properties?

A proportion of the purchase price, or refurbishment costs of commercial buildings that relates to plant and machinery which will qualify for capital allowances. Examples are electrical, water, heating ventilation and air-conditioning, and also fixtures, fittings and equipment.

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Typically 20% - 30% of the purchase price of an office may qualify for capital allowances and between 60% - 80% of refurbishments. A capital allowances survey will ensure all qualifying items are identified and valued. Allowances will be lower if there have been previous capital allowances claimed.

What if the property is held by an overseas company?

If the property is situated in the UK then the rental income is taxable in the UK and capital allowances may be claimed to reduce the taxable profits.

Can the expenditure related to a hotel refurbishment be claimed as repairs?

If all the expenditure is for like for like replacement then the expenditure can be claimed as repairs. However, normally some expenditure is required for enhancements and a capital allowances analysis is required.

Can capital allowances be claimed on asbestos removal?

Land remediation relief can be claimed for asbestos removal as long as the claiming party did not install the asbestos in the first place and is a UK company. There are time restrictions for land remediation relief claims.

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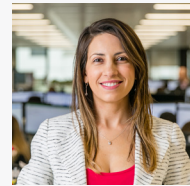


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