



Property capital allowances

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Forrester Boyd
CHARTERED ACCOUNTANTS

Valuable capital allowances being missed

Property capital allowances for fixtures in commercial property are probably one of the most overlooked valuable tax reliefs.

With rules around this becoming ever more complex it is vitally important to get the right advice to ensure you are not missing out on up to 45% tax relief on your expenditure.

If you have acquired commercial premises, constructed a new commercial building, extended, altered or refurbished an existing commercial building then you could be entitled to tax relief on fixtures that qualify as “plant or machinery”.

It does not matter whether you own the property privately or through a limited company, and you

can be using the property in a trade or a commercial property rental business.

Any allowances claimed will reduce profits which are chargeable to tax, and hence reduce your tax bill.

Even if the property was acquired many years ago, provided the fixtures are still in use, a claim may be possible.

+ What qualifies as ‘plant and machinery’?

The term plant and machinery includes fixtures but also covers the normal loose items such as furniture and equipment.

A fixture is defined as “plant or machinery that is so installed or otherwise fixed in or to a building as to become, in law, part of that building”.

The rate of allowance depends on the type of fixture, for example those that fall within the definition of an 'integral feature' are given at a lower rate.

The 'plant or machinery' elements that qualify for this relief include items such as:

- + Lighting and electrical systems
- + Air conditioning and heating
- + Hot and cold water systems
- + Sanitary ware
- + External solar shading
- + Lifts, but not the lift shaft
- + Roller shutter door machinery, but not the door
- + Decoration in pubs and restaurants which give ambience
- + Alarms and telecommunications

When to ask for advice

- + When you build, extend or refurbish a commercial property – most qualifying items get lost in the documentation, so you need help to identify them and make a claim.
- + If you already have a property portfolio which is several years old – provided you still own and use the property, it's possible to look back indefinitely (you will need all purchase and refurbishment details though. See below for some exceptions).
- + If you buy a commercial property straight from the developer – because you only pay a price for the building, the qualifying costs may not be evident and, with typically 15%-45% of a building being eligible, it does pay to ask an expert.
- + If you buy or sell a second hand commercial property after March 2014 from another person/entity that is entitled to claim capital allowances, you can only make a claim for second hand fixtures if they were claimed for by the previous owner. In most cases you will need to agree a transfer value, so it is vital that you take advice early in the acquisition process.

Equally if you are selling it's important that the fixtures value is agreed, and you should take advice to ensure that you do not lose the benefit of allowances already claimed.

- + If you are buying from a charity or pension scheme these rules may not apply and it may be possible to revisit the acquisition and claim even if the acquisition was after March 2014.

The good news is that it's not too late to consider a claim – it's certainly a must if you are about to buy a property as you can fully maximise the savings potential at this stage. These tax savings often run into tens of thousands of pounds.

Average claims for capital allowances

Type	% of Expenditure
Hotels	15 - 40
Care Homes	20 - 40
Offices	12 - 40
Retail	3 - 25
Industrial	5 - 25
Furnished Holiday Lets	10 - 25

Practical examples

+ New build – Office

Acquisition of office building at a cost of £563,000. A detailed review of the expenditure was performed which identified eligible plant of £187,000, resulting in a cash saving of approximately £74,000.

+ Historic review for Property Investment business / arcade operator

A review of the company's historic capital expenditure, which resulted in the identification of additional capital allowances in excess of £2.6 million, saving the client over £484,000 in tax relief. Some of the savings were achieved on buildings acquired 17 years ago.

+ Fit-out and refurbishment – Yorkshire based restaurant chain

Performed a detailed capital allowance review of entire building expenditure ensuring that all elements of plant were identified and claims for enhanced capital allowances were made where possible. The tax saving associated with the exercise amounted to approximately £795,000.

“ over 50% of
commercial property
owners have not
made a capital
allowances claim



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