

Capital Allowances in Disadvantaged Areas

Business Premises Renovation Allowances



Business premises renovation allowances (BPRAs) are available to anyone incurring “qualifying expenditure” on a “qualifying building” for the purpose of bringing a “qualifying business premises” into use in a “disadvantaged area”. Expenditure incurred on such property attracts an initial allowance of 100% although a person claiming such an allowance may request the allowance to be reduced to a specified amount.

In essence, the measure is aimed at bringing run-down premises in disadvantaged areas, which have been vacant for a year or more, back into use.

“Qualifying expenditure” is basically expenditure incurred on the conversion or renovation of a qualifying building into a “qualifying business premises”.

A “qualifying business premises” must be a “qualifying building” and it must be used or available and suitable for letting for use for the purposes of a trade, profession, vocation or as an office. In order for a building to be classed as a “qualifying building”, it must satisfy five conditions:

1. it must be situated in a disadvantaged area on the date when the conversion or renovation work commenced.
2. it must be unused for a period of at least one year before the commencement of the works.
3. on the date that it was last used, it must have been used for the purposes of a trade, profession, vocation or as an office.
4. it must not have last been used as a dwelling.
5. for part of a building, that part must not have been occupied and used in common with any other part.

A “disadvantaged area” is an area so designated by Treasury regulations or if no such designation is made, an area qualifying for Stamp Duty Land Tax disadvantaged areas relief.

The DTI provides a postcode checker tool at www.dtistats.net/regional-aa/aa2007.asp but this needs to be cross-referenced to the Assisted Areas Order 2007 No 107 which sets out the Assisted Areas. This can be found at www.opsi.gov.uk/si/si2007/uksi_20070107_en.pdf.

The BPRAs mean that property refurbishments and conversions in qualifying areas can be very tax efficient ways of increasing the value and letting potential of property. This, in turn, gives rise to asset management issues. Very often, property owners and asset managers are not even aware that properties in their portfolios can qualify for such relief thereby potentially missing out on significant levels of tax relief.

Capitus offers a range of services aimed at maximising the benefits of this incentive.

Contact Aubrey Calderwood calderwood@capitus.co.uk for further details.