

# Capital Allowances on Property Acquisitions



## Background

The acquisition of a property represents for most buyers a sizeable financial commitment. However with the purchase of a property comes the opportunity to secure a substantial level of tax relief through capital allowances. Depending upon the type of property, up to 65% of the purchase price could be claimed as plant and machinery allowances and in other instances, up to 80% claimed as industrial buildings allowances.

With such amounts of capital allowances potentially available, it is imperative that the issue of capital allowances is addressed early on in any transaction. For this reason, Capitus suggests the adoption of a two-stage approach: the first stage being the pre-purchase phase and the second stage the post-acquisition phase.

Only property owners that are well advised will secure the greatest levels of capital allowances, thereby maximising the tax relief available.

## Pre-purchase

In the pre-purchase phase it is essential that the issue of capital allowances is addressed through the pre-contract enquiries made by the purchaser's solicitor. Capitus can provide standard capital allowances enquiries and can also advise on the impact of the responses received.

The quantum of the plant and machinery allowances available to the purchaser will depend upon the actions taken by the vendor and any prior owners. For this reason, we always advise that the tax history of a property should be established prior to completion.

Once the tax history of a property has been established, we would always suggest that a purchaser and vendor agree on how the capital allowances are to be dealt with. The agreement should be reflected in the heads of terms and subsequently in the sale and purchase contract. Capitus can assist with the provision of specific capital allowances clauses that can be incorporated into the purchase contract.

## Post-acquisition

After acquiring a property, the purchaser will be in the position where they need to prepare a claim for capital allowances that should be submitted with their tax computation.

Capitus has an ongoing dialogue with the Valuation Office Agency (VOA) and as a result our claims are produced in a format that minimises initial enquiries. All claims prepared by Capitus clearly set out the legal basis upon which the claim is being made and provide all the information that HMRC and VOA require. Capitus operates a policy of full disclosure, ensuring that all our claims meet the requirements of the Corporation Tax Self Assessment and Income Tax Self Assessment regimes.

Capitus believes in preparing maximised but fully defensible capital allowances claims and we ensure that there is a technical reason or legal precedent to support the items contained within any claim.

We believe that the approach of full disclosure, coupled with our well-adapted claim format accelerates the agreement of our capital allowances claims by reducing the number of enquiries raised by HMRC.

Following consultation with our clients, we will respond to any queries HMRC or the VOA may have, ensuring the claim is agreed in a timely manner.

Contact Aubrey Calderwood [calderwood@capitus.co.uk](mailto:calderwood@capitus.co.uk) for more information.