

I am a landlord and own commercial property. I want to introduce 'green leases' across my estate.

The response from tenants so far has been mixed. Are there any tax incentives available that might encourage take-up?



By **Aubrey Calderwood**

Green leases are a bit of a hot topic at the moment for commercial property landlords with an increasing number attempting to roll them out to their tenants. However, installing energy or water saving plant and equipment can represent a very high capital cost if incurred by either tenant or landlord and the benefits are not immediately apparent to either party.

Landlords are reluctant to incur the expenditure themselves installing energy and water saving technologies because, although doing so will undoubtedly result in reduced heating, lighting and water costs for tenants, these costs cannot usually be recovered through the service charge. Similarly, tenants are unlikely to incur the expenditure on “green” measures unilaterally because of the perceived higher initial capital cost.

However, there are very significant tax incentives available for installing energy and water efficient plant and equipment and we have found that neither landlord nor tenant consider these when negotiating whether or not to enter into a green lease.

For example, on a typical air conditioned office fit-out costing £500,000 and incorporating energy saving measures such as energy efficient lighting, boilers and water systems etc. approximately £400,000 might qualify as a capital allowance against taxable profits.

Approximately £310,000 could be available in the year the expenditure is incurred so it is a very tax efficient way of fitting out an office (or any other property for that matter). It is available to the tenant if they incur the expenditure themselves or it can be available to the landlord if they pay for the works by way of a capital contribution to the tenant.

Either way, it is a valuable incentive that neither party seem to be taking full advantage of at the moment.

Postscript :

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