

Case Study - International Tax Depreciation Analysis

The Problem

Our client, who operated data centres worldwide, had constructed a series of centres throughout Europe including in Paris, Amsterdam, Frankfurt and Madrid. Most European tax jurisdictions operate a system of tax depreciation as opposed to capital allowances. Although there is provision in nearly all European tax legislation to depreciate certain assets within a property at accelerated rates, few European accountants do this because most are not familiar with analysing construction costs in this manner. As a result, nearly all property is depreciated at a single composite rate of between 2% and 4%. This means that significant tax relief is consistently lost on European construction and investment projects.

The Solution

Capitus were aware that different rates of depreciation existed for certain assets in European property and we knew that our experience of analysing UK construction costs for capital allowances could be applied to the analysis of European construction cost information for tax depreciation.

Having demonstrated to our client the tax benefits of carrying out such an analysis, we met with our client's accountants in each of the European cities where the data centres were being constructed to establish the exact format of information required by the relevant tax authorities.

In one instance, the client's accountant was not aware that such an exercise was possible because they were so used to computing all expenditure at a composite rate.

We toured the facilities, met with contractors, collated all necessary construction cost and accounting information and prepared tax depreciation analysis for all properties.

The Result

Our analysis generated £11m in additional tax relief over and above that which the usual European accountancy approach would have generated.