

Case Study - Maximisation of Capital Allowances for a Multiple Site Bar and Restaurant Company

The Problem

Our client was a pub and restaurant operator who had embarked on the roll-out of a branded bar concept. It had incurred expenditure on twelve properties and were planning to develop a further fifty in towns and cities throughout the UK. While the size and type of property varied, the nature of expenditure within each bar was similar. The client had considerable difficulties analysing the expenditure provided by the main contractor for the fit out work and also preparing claims for capital allowances and revenue deductions for the remaining expenditure in the rest of the bar.

The Solution

The information provided by shop- and bar-fitting contractors is not usually provided in sufficient detail to allow the analysis of the expenditure for capital allowances purposes.

However, owing to the similar nature of expenditure between each site, Capitus suggested an approach which would both maximise the potential allowances and revenue deductions available to the client and would also simplify the preparation of claims for capital allowances in the future.

HMRC will allow the statistical analysis of a sample of properties where the expenditure between each property is largely similar. However, they operate very strict criteria in what is an acceptable sample and such a sample of properties must be on a statistically valid basis.

Capitus approached our client's tax inspector and suggested a methodology, which included the detailed analysis of an acceptable number of properties that would then be submitted to and negotiated with HMRC. This would form the basis of future claims for capital allowances.

Our detailed analysis included surveying the properties and examining the expenditure relating to the main contract works carried out by the general builder. This analysis identified significant expenditure which would otherwise go unrelieved in the form of building alterations connected with the installation of plant and machinery. This expenditure included items such as the formation of new toilet blocks in existing properties and the cutting of holes in walls for the installation of new services. In addition to this, we identified significant elements of the expenditure that could be classified as expenditure on energy efficient technologies, thereby qualifying for a 100% first year allowance. Other elements highlighted included the removal of asbestos from some properties, which will qualify for 150% land remediation relief and which, in some cases, generated tax repayments.

These elements formed the basis of our detailed submissions to HMRC and we negotiated an acceptable settlement which could be applied to the other properties.

The Result

The client was able to **claim tax relief in one form or another on approximately 87% of the total fit out expenditure on each property**. This percentage was applied to the expenditure incurred on other sites thereby easing the compliance burden on the finance director of our client company. To ensure that the sample of properties originally forming the base of the agreement was valid on a yearly basis, we picked a further random sample of sites on which to carry out a detailed analysis, thereby giving both our client and HMRC confidence that the figures were correct.