

# Capital Allowances on New Builds and Refurbishments

## Maximising Capital Allowances



### Background

On any new build construction project, or on the refurbishment of an existing property, the ultimate level of tax relief available in respect of the expenditure incurred can be dramatically affected by giving active consideration to a number of issues before, during and after construction.

Accountants usually consider tax allowances on construction expenditure when they come to prepare year-end tax computations. Unfortunately, this is much too late and is long after the opportunity has passed to influence any design decisions that will lead to increased levels of tax relief. It is necessary to implement an effective tax allowance maximisation strategy. This comprises:

### Design stage: tax audit of design

This process involves an examination of the prepared design from a tax perspective. Questions that will be asked as part of the tax audit process include:

- Are energy-saving or water-saving technologies being used where possible and cost effective?
- Would a plenum floor or ceiling be possible?
- Has thought been given to the use of a proprietary demountable partitioning system instead of fixed metal stud partitions?
- Is there any site contamination which could qualify for land remediation relief?
- Is the issue of capital contributions to prospective tenants being addressed?
- How is the electrical system in the property being designed?
- Are there any specific user requirements?

### Construction stage

- On existing buildings, survey and document the condition of the building prior to refurbishment: could any expenditure qualify for a revenue deduction?
- Survey property during construction and document any items that may be contentious with HMRC
- Liaise with contractor, design team and quantity surveyor; obtain all information and interview relevant professionals when project is 'live'
- Prepare a claim support document for contentious elements of claim
- Prepare interim year-end claims if required

### Completion

- Carry out full and final survey of building; document all items, differentiating between landlord- and tenant- owned assets
- Analyse tenant capital contributions (if relevant)
- Prepare tax allowances claim, separately identifying general plant and machinery, enhanced capital allowances, short life assets, long life assets, capital contribution pools, business premises renovation allowances, land remediation relief
- Submit claim to the client or client's accountant for submission to HMRC with tax computation
- Negotiate final agreement of claims with HMRC (if required)

The processes and methodology outlined above summarise the main areas where tax allowances can be increased if properly considered in a timely manner. It is not exhaustive and each project should be considered according to its specific circumstances.

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