

Capital Allowances

Case studies



The following case studies set out examples of previous work by the Capital Allowances team and the benefits to our clients.



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Case study one

Our client is a specialist company providing care to the learning difficulty mental health sector through a range of properties from converted residential homes to purpose-built low security hospitals.

The company had acquired this care facility portfolio over a number of years. Some had been acquired as residential properties for which planning consent had been secured to convert to care, some had been acquired from other care operators and some had been built to order under contract.

All however were shown at cost within the company's balance sheet and no tax relief had been claimed on any part of the purchase, conversion or building costs which had added up to about £15 million.

How we helped

We advised the company's directors that it is possible to claim tax relief on some of these costs so that the company's annual profits could be reduced before tax liabilities were calculated.

It doesn't matter when these costs were incurred only that the properties are still in a commercial use.

This is because tax reliefs covering what is known as "plant and machinery" such as heating, plumbing, mechanical and engineering systems etc. are frequently tied up within the fabric of a building and can only be unlocked with the help of a specialist tax-aware quantity surveyor.

Benefits

Our specialist tax-aware quantity surveyor identified that costs amounting to around £3.5 million – i.e. around 25% of the total – qualified for this relief and our client will be saving tax of around £1 million as a result of this claim.

Case study two

Our client operates a regional chain of coffee shops under a franchise from a multi-national group.

The multi-national group provides an operations manual setting out how each outlet should be operated, managed and look. The visual aspects of each outlet are governed by this operations manual. Each outlet costs an average of £120K to fit out in accordance with this manual.

How we helped

The costs of establishing each outlet were shown in the accounts as fixed assets but as they were part of the premises, no tax relief had been claimed.

We carried out an exercise on six of the outlets covering fit-out expenditure of around £1 million. As part of this exercise we reviewed the operations manual and the equipment supplied as part of the fit-out as well as visiting a number of the outlets.

We established that around 80% of the fit-out costs qualified for tax relief as "plant and machinery" – thereby triggering substantial tax savings over the life of the outlets.

Benefits

The exercise will produce tax savings to our client equivalent to around £160K over the next few years.



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