

Case Study: The impact of Capital Allowances on your property business

GETTING THE RIGHT ADVICE

With cash flow being of critical importance to property investors, it is imperative to make maximum use of capital allowances especially in these economically challenging times. It is estimated that over 50% of businesses continue to under claim capital allowances. As claims for allowances reduce annual tax liabilities, and hence improve cash flow, this is an area where financial directors can make an immediate impact on the health of their business. The benchmarking tables below indicate the percentage of the total costs a business can generally claim.

Capital Allowances as a % of price paid* for buildings

Building	% of price
Offices	20-35%
Nursing Homes	25-40%
Hotels	25-45%
Retail	0-5%

* Subject to former owner claim restrictions

Capital Allowances as a % of build costs

Building	% of build costs	
	Plant	Repairs
Refurbishment	50-70%	10-20%
Fit out	50-90%	
New Build	5-60%	-

It is possible to revisit expenditure or properties purchased in previous years.

THE ISSUE

We were recently appointed to work with a group with approximately 100 retail outlets in and around London. The group hadn't needed to focus on claiming capital allowances in their first years of trading as their initial trading costs minimised any corporation tax liabilities. However, as the group's investment started returning significant profits, it became increasingly important to focus on minimising their corporation tax liabilities.

THE SOLUTION

Our specialist capital allowance consultants visited three outlets and identified all plant and equipment on which capital allowances could be claimed. We prepared and submitted a detailed report to H M Revenue & Customs which gave a basis for a capital allowances claim across the group's retail outlets. We identified £7 million of capital allowances which could be claimed on plant and equipment. As a result, all open tax computations were updated for the revised capital allowances claim, and the corporation tax liabilities were extinguished for the next year.

HOW WE WORK WITH YOU

We will provide you with the right advice at the right time in order to make the maximum financial impact. We do this by providing you with a Partner who is accessible, who will take the time to understand your business and who will co-ordinate a team of accounting, tax and audit specialists to successfully meet your objectives.

ABOUT KINGSTON SMITH'S PROPERTY TEAM

Kingston Smith is a top 20 firm of Chartered Accountants. Our property team has considerable experience in the property sector and works with clients in development, construction, investment and management. We help these clients run their businesses more successfully by providing practical advice such as planning ownership structures to minimise their tax exposure, accounting services ranging from bookkeeping and management accounts to the preparation and audit of year end financial statements and helping source alternative methods of funding.

To find out more about Kingston Smith's bespoke services to the sector please click [here](#)

CONTACT US

Kingston Smith Property Team

Martin Muirhead +44 (0) 20 7566 3705
 Heather Powell +44 (0) 20 7566 3811
 David Benton +44 (0) 1708 759 701
 David Montgomery +44 (0) 1737 781 545
 Jonathan Seymour +44 (0) 20 8848 5531
 Nigel Birch +44 (0) 1727 896 006

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