



Cavetta Consulting

Unlocking Property Tax

NEWS TO ME

August 2018 Newsletter



Editor's Introduction

Over the last few months, we have been doing a significant amount of networking. At each event we attend a recurring theme emerges, that being, many business owners and commercial property investors do not know that they can claim tax relief for the fixtures and fittings within their property.

Tax relief in the form of capital allowances is 140 years old this year. The Acts have changed greatly since the Wear and Tear Act of 1878, but the percentage of taxpayers claiming their entitlement still remains low. However, this is something that we hope to change by raising awareness through a number of upcoming seminars and videos.

In the meantime, I hope you enjoy our newsletter.

Alan





THE OFFICE OF TAX SIMPLIFICATION CONSULTATION REVIEW

Following up on one of the Office of Tax Simplification (OTS) recommendations back in July 2017, to review the capital allowances regime, the OTS issued a consultation document back in October 2017. In our April newsletter, we discussed the implications of this document, the article can be read by clicking [here](#).

So, on the 15th June the OTS released their publication in response to this consultation. Their paper outlined the main points following the consultation and what are the key consequences there of. To read our summary of the consultation document click [here](#).



RAISING AWARENESS

Rita Wilson once famously said that, “Awareness is empowering.”

To help empower the next generation of surveyors we recently delivered a seminar for RICS Matrics in Glasgow introducing the topic of Capital Allowances. We were delighted to be joined by [Asbestos Building Surveys Limited](#) who gave a very informative presentation about what asbestos is and where it is found.

If you would like us to come and speak to your team please do not hesitate to [contact us](#).

CHANGES TO THE TAXATION OF LEASES

Going forward, a company or other entity under IFRS 16, will recognise all leases on its balance sheet, other than noted exempt ones. This new standard removes the distinction between what would be a finance lease or what would be an operating lease.

How will this affect the capital allowances rules for long funding lease rules?

The long funding lease rules in Part 2 of CAA 2001 provide that where a plant or machinery lease is in essence a funding lease for the lessee (defined in the legislation), the lessee is entitled to claim capital allowances on the asset even though they are not the legal owner. The changes ensure that those rules will continue to apply as intended for an IFRS 16 lessee.

In summary,

- amendments will be made to the long funding lease rules so that an IFRS 16 lessee with a long funding lease can calculate its capital allowance additions and rental restriction, and deal with any revaluation of the lease liability (amending sections 70E of CAA 2001, 70YI of CAA 2001, 148G of ITTOIA 2005, 377 of CTA 2010 and 381 of CTA 2010, introducing sections 148GA of ITTOIA 2005 and 377A of CTA 2010)
- any long funding lease held at the time that the new rules take effect will be grandfathered
- the long funding lease rules will be amended to simplify the definition of a short lease and clarify the interest rate to use when applying the lease payments test (amending sections 70I of CAA 2001, 70O of CAA 2001, and 70YF of CAA 2001)
- the rules for identifying a hire purchase contract for capital allowances claims will be amended to require an IFRS 16 lessee to identify whether the contract would be accounted for as a finance lease (amending section 67 of CAA 2001)
- capital allowances anti-avoidance legislation and sale of lessor rules will be amended so that where those rules are relevant for a lessee they will require an IFRS 16 lessee to identify finance leases (amending sections 288J of CAA 2001 and 437 of CTA 2010)



Lois Stirling

07909 962279
0131 6100056
lois.stirling@cavettaconsulting.com



Alan Cadden

07703 334317
0141 432 0056
alan.cadden@cavettaconsulting.com

