Key Actions
Specialist Buildings

DATA CENTRES

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Unlocking Capital Allowances

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UNLOCKING PROPERTY TAX – TAX RELIEF FOR CINEMA COMPLEXES

DATA CENTRES PROBABLY CONTAIN THE HIGHEST PERCENTAGE OF PLANT AND MACHINERY PER SQUARE METRE OF ANY BUILDING. THESE BUILDINGS HAVE COMPLEX SECURITY AND COOLING REQUIREMENTS, AS WELL AS, THE INFRASTRUCTURE TO FACILITATE THE BUILDING'S FUNCTIONAL NEEDS. THEREFORE, THE CHALLENGE IS NOT ONLY TO HAVE A SECURE, WELL SERVICED BUILDING, BUT ALSO ONE THAT IS EFFICIENT IN ITS ENERGY USE, THUS MAKING INVESTING IN A DATA CENTRE CAPITAL INTENSIVE.

However, claiming capital allowances allows you to deduct the cost of plant and machinery from your profits, which can improve the cash flow of your business. Our article highlights some of the areas you can consider to maximise a claim and what the potential level of allowances may be. In order to maximise a capital allowances claim on your commercial property an understanding of how buildings function is essential.

Data Centres are one of the many specialist properties that we are asked to deal with. We have seen the numbers of these types of buildings increase significantly due to modern business requiring back up systems and commerce becoming increasingly more digital. In addition, the design of these buildings is changing as the industry becomes more interested in moving from powered cooling systems to natural cooling systems. Indeed, it was recently reported that Microsoft were testing an under water data centre off the Scottish coast.

Typically, we find that between 40 - 75% of our Client's capital expenditure qualifies for capital allowances, depending on the size and specification. However, there are a number of important issues to consider in order to maximise the allowances.

KNOWING YOUR BUILDING
What Makes a Successful Claim

SETTING
Given the sensitive nature of this property, security will play an important part in the design. So, where you consider all these requirements along with the tax implications early, there may be scope to claim a higher rate of tax relief on the expenditure incurred.

MECHANICAL AND ELECTRICAL SYSTEMS
Such buildings also require significant mechanical and electrical installations related to heating and cooling the property. Therefore, sustainability, may also be a major requirement of your development brief, and by planning expenditure can ensure these assets are claimed within the Allowances (AIA) limit giving 100% relief in the year rather than at 6% allowances when claimed outside the AIA.

ACCOUSTICS
In addition to the layout of the building, the use may mean consideration to the acoustic properties of the building. Where you consider these requirements with the tax implications early, there may be scope to claim higher tax relief on the expenditure incurred.

SPECIALISTSYSTEMS
Data and telecommunications are obviously the defining systems. However, their use in your business, of any other specialist equipment needs to considered from first principles in order to ensure they are claimable and claimed at the highest writing down allowance possible

CONVERSION OF AN EXISTING BUILDING
Converting an existing building may provide enhanced tax relief, as any expenditure on builder's work incurred in installing any plant may also qualify. Therefore, it is important to identify separately the expenditure for these works.

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WHY CAVETTA CONSULTING

In order to maximise tax relief within specialist properties employing a capital allowances adviser can prove prudent for you.

Traditionally, tax relief is perceived as the role of an accountant. However, like many elements of accountancy, tax has a number of sub-specialisms, including capital allowances. Therefore, your accountant may not have the time or resources to manage the expectation that capital allowances is only a tax issue.

In reality, claiming capital allowances involves resolving tax, finance, legal, property, construction and valuation issues. A capital allowances adviser has a different range of knowledge and skills from your accountant. This enables us to provide assistance to you in negotiations with HM Revenue and Customs; particularly when they are questioning valuation techniques and construction methodology and technology.

Capital Allowances claims must be able to stand up to scrutiny. The figures need not only to be correct but also justifiable. This will ensure you have no further wide spread enquiries from HMRC.

Capital allowances claims, in connection with the acquisition, fitting out or development of data centres, requires your advisor to have in-depth knowledge and experience of the statutory rules contained within the Capital Allowances Act 2001.

As specialists, we can also provide you with essential preplanning advice, to maximise tax savings, increase yields and potentially make an uncertain project viable.

As tax rules are constantly changing, as specialists in this niche area, we ensure that we have the most up to date information to guarantee your tax savings are maximised.

EXPERIENCE IS KEY

WORKING TOGETHER

Cavetta Consulting is a resource with over 30 years of experience, and are able to give our clients the benefit of this.

Once appointed, we work with your appointed advisors project team and accountant. We ask the questions and obtain the information. Our aim is to take the burden of maximising the tax relief from you.

SEEMLESS PROCESS

We seek to offer you a more personal service. We are not a major corporation and we have the advantage that we can take time to ask questions, understand your needs and take personal pride in saving you money.

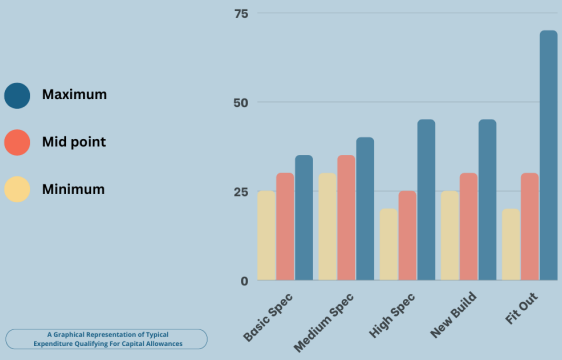
CONTINUED SUPPORT

Our work does not end once we provide you with your valuation. We are committed to you and our engagement is only concluded when the capital allowances valuation is agreed by HMRC.

HAPPY TO HELP

We are always happy to help, wherever you are in your capital allowances journey. We provide a free initial consultation, and don't take an appointment where we can't add value. In addition, we are happy to answer any questions that you may have.

Typical Expenditure Qualifying For Capital Allowances - Data Centres



A Graphical Representation of Typical Expenditure Qualifying For Capital Allowances

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This briefing is intended to provide an introductory outline to certain aspects of the UK Capital Allowances regime. It should not be used instead of obtaining proper professional advice. The outline is for guidance only and is not an appropriate basis for decision-making.