Key Actions

Specialist Buildings

Private Finance Initiative Schemes

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Unlocking Capital Allowances

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UNLOCKING PROPERTY TAX – TAX RELIEF FOR PFI SCHEMES

OVER THE LAST 20 YEARS, SUCCESSIVE GOVERNMENTS HAVE REPLACED A LOT OF OUTDATED PUBLIC BUILDINGS THROUGH THE USE OF PRIVATE FINANCE INITIATIVE (PFI) SCHEMES. ALTHOUGH, THE SCHEMES HAVE A NUMBER OF COMPLEXITIES, ONE BENEFIT WHERE THE "COMPOSITE TRADER" ROUTE IS NOT USED, IS THAT THE COMPANY THAT OWNS THE PROPERTY CAN CLAIM THE BENEFIT OF CAPITAL ALLOWANCES IN RELATION TO THE FIXTURES OF THE PROPERTY.

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.

In order to maximise a capital allowances claim on your commercial property an understanding of how buildings function is essential. This is a particularly useful mechanism in making this type of development feasible. Buildings procured under PFI schemes will usually have a high level of mechanical and electrical installations included as part of the project, as well as bespoke elements that are required by the incoming public tenant.

Typically, we find 30-50% (or more if within an existing building) of our client's capital expenditure qualifies for capital allowances depending on 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

CLIENT SPECIFICATIONS

Healthcare and education buildings are constructed to specific detailed briefs which must satisfy both regulatory and health and safety requirements. Each project will have a different set of requirements from individuals, local authorities and quangos. The earlier these are agreed the easier it will be to understand the tax relief achievable. However, accessibility and safety of the general public must be incorporated into the design. Where you consider these requirements with the tax implications early, there may be scope to claim a higher rate of tax relief on the expenditure incurred.

SPECIALIST SYSTEMS

PFI properties may contain many specialist systems however, the use in your business of any specialist system needs to considered from first principles in order to ensure they are claimable and claimed at the highest writing down allowance possible.

MECHANICAL AND ELECTRICAL SYSTEMS

Schools, hospitals and other public buildings delivered under PFI usually require significant mechanical and electrical installations related to heating and cooling the property, passenger and goods lifts, lighting and power installations and adequate water supplies along with catering facilities. 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.

FUNDING

In addition to the complexity of development, these schemes are often funded through SPV companies or forward funding agreements which can have implications on the level of tax relief available. It is important to get early advice in the holding structure and its tax implications.

CONSTRUCTING A NEW BUILDING

Structures and Buildings Allowances of 3% is now available meaning that a significant proportion of the building work is now tax deductible.

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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 or development of distillery or brewery buildings, require 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

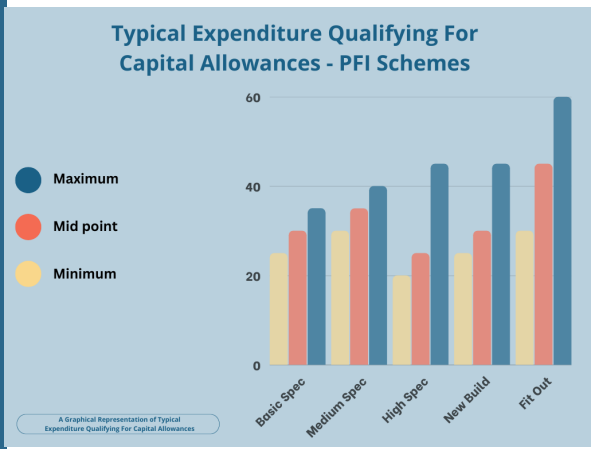
We seek to offer you a more personal service. We are not a major corporation and we have the advantage that we can take time to ask questions, understand your needs and take personal pride in saving you money.

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.



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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.