# Key Notes

CAVETTA CONSULTING
Unlocking Capital Allowances

## Don't Leave Money on the Table

### Or Why You Need a Capital Allowances Specialist

info@cavettaconsulting.co.uk
www.cavettaconsulting.co.uk

### Key Points

**What is the issue?**
Making sure you are maximising your profits by ensuring you have maximised your capital allowances claims.

**Who does it affect?**
Anyone who has incurred expenditure on commercial property, whether purchasing, refurbishing or fitting out.

**What does it mean for you?**
Additional tax savings and maximum profits.

### INTRODUCTION

Running your business is all about maximizing profits and minimizing costs. In trying to do this one often overlooked way to improve cash flow is, tax relief, through capital allowances. Capital allowances are tax reliefs that businesses can claim on qualifying assets, such as buildings, machinery and equipment used in your business.

### WHAT ARE CAPITAL ALLOWANCES?

Simply put, capital allowances allow you to offset the cost of certain assets against your taxable profits. This reduces your tax bill and frees up cash flow for your business. Qualifying assets can include:

- Commercial buildings and structures (including renovations and extensions)
- Machinery and equipment
- Fixtures and fittings
- Research and development capital expenditure

While capital allowances offer significant potential tax savings, the rules surrounding them can be complex and ever-changing. So, navigating the complexities of capital allowance claims can be a daunting task.

This is where a capital allowances specialist comes in.....

### HOW TO CLAIM THE TAX RELIEF

Capital allowances are not given automatically, you must claim capital allowances on your:

- **Self Assessment Tax Return** if you're a sole trader
- **Partnership Tax Return** if you're a partnership
- **Company Tax Return** if you're a limited company - you must include a separate capital allowances calculation

You must claim in the accounting period you bought the item if you want to claim:

- annual investment allowance or,
- 100% first year allowances

If you do not want to take your full allowances entitlement, you can claim just part of it using "writing down allowances". You can do this at any time as long as you still own the item.

However, if you used writing down allowances, you'll need to work out how much you can claim based on the pool your item is in.

**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.**

# Key Notes

CAVETTA CONSULTING
Unlocking Capital Allowances

## Why You May Need a Capital Allowances Specialist

## HERE'S WHY YOU MIGHT NEED A CAPITAL ALLOWANCES SPECIALIST:

- **Valuing the gaps left by invoices:**

If the detail of the expenditure is not on the invoice, it is difficult for accounting sytems to deal with the invoice and qualifying items can be missed. This is often the case for lump-sum construction monthly or stage payments, where qualifying items are not identifiable and more often then not missed. A specialist will have knowledge of building construction to able to separate out the qualifying costs.

- **Valuing the often missed integral items:**

To claim capital allowances for property purchases you need to value land, plant and machinery along with the replacement cost of the building. These components are not within the expertise of a chartered accountant but rather ones of a chartered valuer or surveyor who are trained in the valuation of property and the construction of property.

- **Expertise in a niche area:**

Tax law is vast and intricate, and capital allowances are a specialized field within that. A specialist has in-depth knowledge of the relevant legislation and HMRC guidelines, ensuring your claim includes everything you're entitled to.

- **Expertise Across Industries:**

Capital allowance specialists often have experience working with various businesses and sectors. This means they can tailor their approach to your specific industry and property type, ensuring you receive the most relevant and beneficial advice.

- **Identifying hidden allowances:**

Not all capital expenditure is obvious. Specialists can unearth potential allowances in areas you might not have considered, like fixtures and fittings within a purchased or renovated property.

- **Maximizing your claim:**

Specialists know how to structure your claim strategically to get the most beneficial tax relief. They will ensure your claim is accurate and watertight, reducing the risk of HMRC challenges.

- **Retrospective claims:**

Even if you haven't claimed capital allowances in the past, you might still be eligible for relief on previous purchases and expenditure. Specialists can assist you to make retrospective claims, potentially leading to tax refunds.

- **Dealing with HMRC:**

If HMRC enquires into your claim, a specialist having the tax and construction knowledge, can handle the communication and negotiations on your behalf, saving you time and stress.

- **Peace of mind:**

Knowing your capital allowances are handled by a professional allows you to focus on running your business with the confidence that you're optimizing your tax position.

- **Reduced Tax Bill Increased Cash Flow:**

By maximizing your capital allowance claims, you can significantly reduce your corporation or income tax liability and increase you cash flow.

# Key Notes

## Won't My Accountant Already Being Doing this For Me?

CAVETTA CONSULTING
Unlocking Capital Allowances

Clients often assume, rightly or wrongly, that their accountant or tax advisor claims the capital allowances due on their expenditure. Some clients may inquire if their accountant claims allowances, and will have this question confirmed positively stating that they have utilised all eligible allowances. However, this may not always be the complete picture.

An accountant usually relies on a desktop invoice review to claim allowances. Yet, the accounting systems may not have the sophistication to analyse lump sums when invoices lack specific details. On the other hand, a capital allowances specialist surveyor can conduct an on-site visit to accurately assess and determine costs eligible for capital allowances from these lump sums.

Typically, accounting systems categorise fixed assets into one of three separate accounts based on their types. Usually, Furniture, Fittings, and Equipment (FF&E) which encompasses movable items like furniture, computer equipment, portable tools, and trade-specific gear. Whilst building additions, eg extensions or refurbishments are classified under freehold land and buildings or leasehold improvements. Accounting systems often fully account for the capital allowances for the FF&E assets, as this tends to be easily picked up from invoices obtained for the item purchase. These could be items like computer equipment, desks and printers, as these are clearly used in the trade and qualifying.

However, in certain instances the tax relief for freehold buildings or leasehold improvements is often not fully maximised. When a property is purchased, fixtures that are attached to the property and that are included in the purchase price often go unclaimed. Typically items integral to the property or are specific to the trade eg ambient features, sprung floors, central heating or toilets. Where an existing property is being refurbished, "builders work in connection" costs associated with installing a qualifying item in that existing building are often missed. A specialist will be able to extract these costs for invoices, itemise and give them an appropriate value based on their knowledge of construction pathology and costs.

As specialists ourselves, with law, tax and construction pathology knowledge, we can increase capital allowances by up to 20-40% more than an accounting system, by detailed forensic analysis and full survey of the property. This is particularly relevant to those occasional yet significant capital expenditure projects such as property purchases and refurbishments.

### CONCLUSION

**By enlisting the expertise of a capital allowances specialist, you are not merely leveraging knowledge and experience but also enhancing your financial prospects. With professional support, you can confidently navigate the intricacies of tax benefits, ensuring optimal returns on your investments. The meticulous approach and comprehensive grasp of the capital allowances regime a specialist has, can significantly impact the savings you can accrue. Therefore, engaging a capital allowances specialist represents a strategic financial choice that not only yields immediate benefits but also ensures a prosperous financial future for both you and your business.**

## About us

At Ċavetta Consulting our directors have considerable experience advising businesses, property investors, landlords and occupiers on all capital allowances implications that impact their business.

Our fee structure is tailored to take account of the tax status of the individual or business and is designed to add value to your business.

We offer free advice to small businesses at the pre-planning stage of their business to make them aware of the benefits the tax system allows and a no obligation review of completed or potential schemes in order to determine whether a viable claim for property.


**Lois Stirling**

**07909 962279** | **0131 610 0056**
**lois.stirling@cavettaconsulting.co.uk**

**Edinburgh Office:**
5 South Charlotte Street,
Edinburgh, EH2 4AN

**Alan Cadden**

**07703 334317** | **0141 432 0056**
**alan.cadden@cavettaconsulting.co.uk**

**Glasgow Office:**
22 Montrose Street,
Glasgow, G1 1RE


**Scan to visit our website**


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.