



## Taking account of forthcoming changes to Capital Allowances

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Capital allowances are tax deductions available to a business when it incurs capital expenditure on certain assets including plant, machinery and buildings. Within the property sector this can encompass new build expenditure as well as an extension or refurbishment, or the purchase of a second hand building.

In many situations, eligible capital allowance expenditure is overlooked, with businesses missing out on potential tax savings and refunds. The main reason for this is that the claimant is often unaware of the extent of assets that qualify and the range of circumstances that can give rise to a capital allowance claim. For instance did you know that you can claim allowances on items such as air conditioning systems and sanitary ware installed in your buildings, whether you installed them or purchased the building second hand with them in situ?

Eligible expenditure is often overlooked because too often tax payers do not receive proactive advice from their tax advisers. The situation is compounded further by the complexity of the legislation governing these allowances.

It is also not widely known that retrospective claims can be made in respect of capital expenditure incurred several years ago provided the asset is still owned. Streets have a team of capital allowance specialists with considerable experience in identifying unclaimed allowances and securing tax rebates for their clients, sometimes in excess of £1million. Our work can involve reconstructing the history of a property and reviewing historic expenditure including refurbishment cost information to identify missed allowances, surveying properties in order to identify eligible items, giving advice on the acquisition or disposal of a property and reviewing new build projects to maximise the allowances due.

In the 2007 Budget, the Chancellor made a number of significant changes to the system. Details of a couple of the key changes that will have widespread effect are set out below:

- The rate of main pool writing down allowances has been reduced from 25% to 20%. In addition there will be a reduction in the rate of writing down allowances on certain fixtures integral to a building from 25% to 10%. These reduced allowance rates will apply to expenditure incurred post 31 March 2008 for companies and 5 April 2008 for non corporates. The timing of capital expenditure is now more critical than ever in order to ensure that future expenditure falls under the current more generous, as opposed to the new regime.
- Industrial and Agricultural Buildings Allowances will be phased out completely by 2011. This makes it more important than before to ensure that any eligible plant inherent within these buildings is identified and claimed, otherwise the plant will form part of the building cost unrelieved for tax purposes in 2011 which will become non tax deductible forever.

The issues highlighted above are just two of the main issues facing businesses with regard to the complex world of capital allowances. Expert capital allowance advice should be sought wherever there is a transaction involving a building as the tax allowances available to a business on a new build, acquisition or disposal can often be enhanced significantly by proactive advice. For further information and a copy of our Capital Allowance brochure please contact 0845 880 0320 or email [info@streetsweb.co.uk](mailto:info@streetsweb.co.uk)

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