

'Energy Saving' For Accountants!

Although Capital Allowances are a tax issue and therefore, traditionally dealt with by Accountants and Tax specialists, this is not necessarily the most cost-effective or beneficial approach, especially where construction or valuation issues arise.

The use of a specialist capital allowances surveyor ensures that the highest level of tax savings are achieved for the client, as well as creating time and the opportunity to share fees or outsource at a premium for the Accountant or Tax specialist.

How Can ca4 Help You?

Property Purchases

Where there is no information available, we can:

- Research the ownership history to establish if there are any prior claims that could affect entitlement;
- Investigate any CAA 2001, section 198 Elections to ensure that they are valid and explore any opportunities to claim on un-restricted items;
- Provide the land valuation and replacement cost calculations necessary to value the plant and machinery in accordance with CAA 2001, Section 562. For post April 2008 acquisitions, it is now necessary to identify 'integral features' as well as normal plant and machinery, which is an added complication;
- Carry out the apportionment calculation. If a client has bought a new building and cost information is available from the developer, it is still necessary to carry out an apportionment calculation. The wrong approach could result in an under-claim of up to 40%.
- Even if there is a valid Election, for post 31st March 2008 purchases it is now possible to claim allowances on integral features that were not previously accepted as plant or machinery. This can include general power, lighting and cold water

systems, as well as environmental features such as Brise Soleil.

- Elected values will now need to be apportioned between the 10% and 20% pools – something else we can help with.

Lump Sum or Design & Build Projects

The traditional procurement processes involving priced bills of quantities are rarely used nowadays. This means that when a client incurs capital expenditure on a new building, extension or even a refurbishment, it is unlikely that the cost information or invoices will be in enough detail to prepare the Capital Allowances analysis. Ideally, the necessary information should be provided by the builder: unfortunately this is not always straightforward and often, where claims are being prepared after the works have been completed, builders are frequently unhelpful.

Our training and experience as Chartered Quantity Surveyors means that we are ideally placed to break down lump sums and establish allowable costs to the satisfaction of both HMRC and the Valuation Office.

Refurbishment Projects – Section 25 Works

One of the areas that is often overlooked is CAA 2001, section 25. This section allows works that are "*incidental to the installation of plant and machinery*" to be included where a building is being altered or refurbished. This can include the construction of lift shafts and plant rooms as well as many other structural items not usually allowable.

The problem with claiming these costs is that they are not usually separately identified and are often hidden within lump sum items or structural sections of the cost data. Again, our construction and cost expertise enables us to identify, price and substantiate this expenditure which can in some cases be more than the cost of the items of plant or machinery.

4-thought

Industrial Building Allowances Claims

The demise of IBA's is now confirmed in statute; however, all is not lost as some opportunities still exist. The problem with IBA's is often establishing what the residue of expenditure is!

We are experienced in researching former tenants or owners as well as having the ability to substantiate what the original construction costs would have been. This means that even where it appears an IBA claim is not possible due to lack of information from the vendors, a valid claim could still be submitted.

Also, it is important to understand the full scope of the type of activities that qualify for IBA's. Often, it is necessary to visit the property and explore the tenant's trade in detail to establish if part, or the whole of the building qualifies.

Even though IBA's will disappear in 2011, valuable claims can still be made and with no claw-back if your clients decide to sell. The sooner a claim is made, the greater the savings.

Opportunities

Saving clients' money by maximising their capital allowances is something all Accountants and Tax advisors should be doing. The new rules give an excellent opportunity to talk to your existing clients. Some issues to explore are as follows:

- The new 20% rate of writing down allowance on plant and machinery only applies from April 2008. Expenditure incurred in earlier years will still qualify for the 25% rate so it is essential to make claims as soon as you can.
- For new projects, it is important to plan ahead to ensure any energy-efficient or water saving plant is identified early in order to get ECA's at 100%. It is a complex area and an early dialogue with the M&E Consultants is essential.
- The introduction of the £50,000 Annual Investment Allowance means that even small claims are now cost-effective as the tax savings are received in the first year.
- Review past claims for IBA's on any open years to ensure that no expenditure on plant and machinery has been incorrectly allocated. Also make sure that the IBA claims on second-hand buildings have the WDA's calculated over the balance of the twenty-five year life rather than at 4%.
- If IBA claims have not been made due to insufficient information it is still possible and could go back as far as six years.
- Industrial Buildings can now be sold without any claw-back of allowances already claimed.
- A free review of capital expenditure for prior years to see if there are unclaimed allowances is often a good way for Accountants to attract new clients. Ensure that your clients aren't at risk from this tactic – carry out a review before someone else does!

Any queries? Call 01905 619224

Or e-mail clive.searle@ca-4.co.uk

www.ca-4.co.uk