

ca4 Audit Service –getting the extra 15%

As Capital Allowances are a tax issue, most tax practitioners would rightly want to prepare capital allowances claims for their clients. Unfortunately, construction projects are not always straight forward and in our experience many claims prepared by Accountants are, at best, only 80-90% of what should be claimed.

At ca4 getting the best tax savings for the client is our No.1 aim. Our Audit Service has been running for some time now and using our surveying and construction expertise we are, on average, able to increase claims by 15% and in some cases even more.

Could ca4 Help You?

Some of the problem areas you may have encountered and that we could help you with are as follows;

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, installation of drainage, 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.

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;

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- 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 Special rate and Main rate pools – something else we can help with.

Opportunities

Saving clients' money by maximising their capital allowances is something all Accountants and Tax advisors should aim to achieve. Some more issues to explore are as follows:

- 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.
- Even if there is a valid Election, for post 31st March/ 5th April 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.
- The introduction of the £50,000 Annual Investment Allowance (now increased to £100,000 for years ending April 2011 and 2012) means that even small claims are now cost- effective as the tax savings are received in the first year.
- 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 you 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

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