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Maximising Tax Savings on Property Acquisitions

Many commercial property investors have overpaid tax by thousands of pounds having failed to claim all their tax allowances. The allowances in question are 'capital allowances' relating to plant and machinery in the fabric of the building. These assets can include electrical, water, heating and ventilating systems; sanitary ware and much more.

Capital allowances generate significant tax savings for property acquisitions by allowing you to write off the cost of your investment. Under the right circumstances, making a claim can save you actual tax of between 10% and 25% of the purchase price of a property.

Another good way to think of capital allowances is as a reduction in the purchase price of the property, or (for rental properties) a boost to the post-tax yield. Importantly, there is no effect on the profits shown in your accounts, or the market value of your property.

Why the opportunity is there

The basic problem is as follows. Imagine you buy a property for £750,000. Part of that expenditure relates to plant and machinery in the fabric of the building, but how do you identify the relevant amount?

The answer, set out in tax law, is to apportion part of the purchase price to plant on a 'just and reasonable' basis. For purchases of second-hand property this basically requires a tax valuation to be prepared by a qualified specialist. It is not (as many solicitors and accountants believe) permissible or effective to simply write amounts into the purchase contract, and anyway contract allocations tend to seriously underestimate the value available.

Your accountant may be doing an excellent job generally, but as a general practitioner he might not be aware of the need to apportion the purchase price (this is widely misunderstood) and he certainly will not be able to survey a building, identify, and value all the inherent plant and machinery. Similarly, most surveyors do not have the necessary tax knowledge, or the right mix of surveying skills and experience.

The solution is to find a competent capital allowances expert who will work with your existing accountant rather than against them. The best time to seek specialist advice is before you exchange contracts on the property, as misunderstandings and mistakes made at this stage can prove very costly.

Although money spent recently (e.g. within the last six years) is easiest to review and often generates the largest tax saving, it is possible to go back indefinitely, so you can still benefit from reviewing acquisition expenditure at any time in the past. However, you must still own the assets when the later claim is made (i.e. the property must not have been sold or stripped out by then). This can result in a large repayment from HM Revenue about six weeks after making the claim.

The whole process, from appointing an expert to getting a refund, can take only a few weeks and all you need to do is to provide readily available information to the specialist about the acquisition. Our specialists will give you a free-of-charge/no obligation estimate of the likely tax savings and, if you prefer, will charge for their services as a small percentage of the tax savings they achieve, so you have nothing to lose by involving them.
So for a fast competitively priced service nationwide, please contact The Capital Allowances Partnership Ltd: info@cap-allow.com or call Steven Bone on 0121 355 1955. There is much more information, including Frequently Asked Questions, on our website at www.cap-allow.com.

Tags: Capital Allowances, Economy

This entry was posted on Tuesday, November 10th, 2009 at 9:40 am and is filed under Commercial Route, Hot Topix, Market News. You can follow any responses to this entry through the RSS 2.0 feed. You can leave a response, or trackback from your own site.