# Capital Allowances and Commercial Property

## Capturing valuable tax relief

*The rules surrounding capital allowances are constantly changing. It is more important than ever for businesses to review their position – especially when it comes to commercial property.*

### Basic premise

Where an individual or company owns a commercial property which is used in the business, it is possible to claim capital allowances on the 'fixtures' within that building. The effect of these allowances can significantly reduce taxable income, and consequently tax bills will be lower. The overall result for businesses is that cash flow increases straightaway, and all thanks to undertaking some good, effective tax planning.

### What are 'fixtures'?

Generally speaking, 'fixtures' are items which become part of the fabric of the building, for example a boiler or water heating system, electrical wiring and lighting. Most commercial properties will have an abundance of these types of fixtures, so the opportunity for businesses to make a claim for allowances is usually significant.

### What do I need to consider?

When buying or selling a property it has always been important to consider the fixtures and any price to be paid for them as part of the transaction, so that capital allowances could be claimed by the buyer in future. Often this would form part of the negotiations between the buyer and seller during a property transaction.

However, new rules introduced in April 2012 place restrictions on claiming allowances – especially in the event of a property sale or purchase – unless specific steps are undertaken to preserve them. From April 2014 there is also a mandatory pooling requirement that needs to be satisfied before a second-hand buyer can claim capital allowances.

### New Changes

The 2018 Autumn Statement included a new capital allowances regime for structures and buildings called 'Structures and Buildings Allowance' (SBA). Tax relief will be given on eligible construction costs of new non-residential structures and buildings incurred on or after 29 October 2018 at a rate of 2% per annum.

## What do I need to do next?

- It is never too early to look into the availability of capital allowances for a commercial property;
- Significant tax savings can be made, which can instantly boost the cash flow of a business;
- Always seek professional advice in making any claims, as mistakes can be costly. If an error is made in a claim, HMRC can charge interest and penalties on any tax they lose as a result;
- Loss making businesses will not see immediate effects of the claim, but in the long term the allowances mean that relief can be obtained in the future when profits are made.

The message is clear and simple – it will be far easier and more cost effective to bring capital allowances up to date now. The recent rule changes mean that by not making a claim, property owners are delaying the inevitable by waiting until it is mandatory to quantify allowances as part of a property transaction.

The earlier a claim is made, the sooner tax relief can be received. Why not claim the relief now?

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