

DATA SHEET

A GUIDE TO CAPITAL ALLOWANCES FOR PROPERTY BUYERS

MAXIMISATION OF PLANT AND MACHINERY VALUES

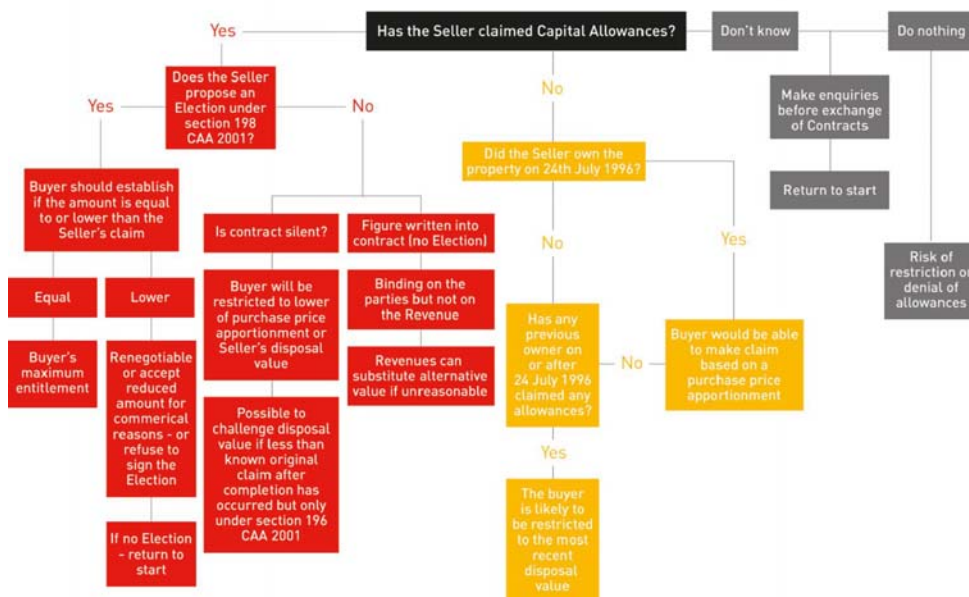
Many property owners miss out on valuable tax deductions because the question of Capital Allowances is not addressed at the correct time. A property may be acquired with restricted, or even no entitlement to Capital Allowances; the following issues should, therefore, be considered, preferably before exchange of contracts:

- Is the land interest being purchased the one to which the allowances attach?
- Is entitlement restricted?
- Is a just apportionment claim possible based on the purchase price?
- Is there scope to maximise the apportionment to general plant in preference to integral features?
- Is any item of machinery or plant leased on a long funding lease? (for consideration of long funding leases, please refer to long funding leases data sheet).

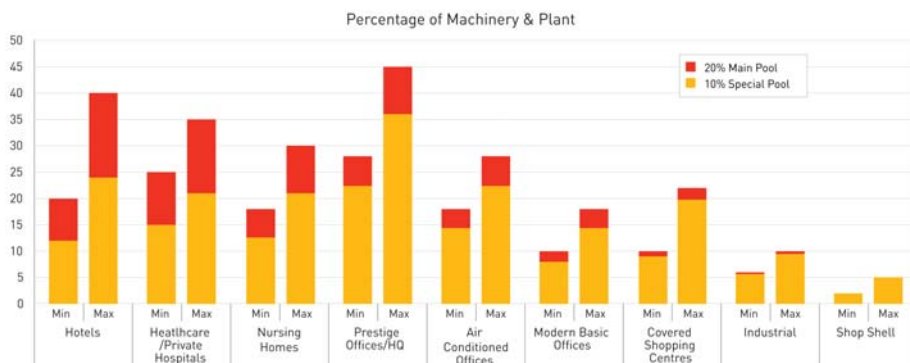
The flowchart opposite looks at possible outcomes, including Section 198 elections where the parties can agree the use of an alternative value within certain limits. Where it is possible to make a claim based on the full purchase price of the property, a Section 562 apportionment will be required involving a valuation of the assets being acquired, namely the land, the building and the plant fixtures. The aggregate of these values must then be reconciled to the purchase price paid using methods acceptable to HM Revenue & Customs. This price can include any SDLT. A new category of qualifying expenditure, entitled 'integral features', applies to expenditure incurred from April 2008, as set out in Section 33A. Included within this new category are certain fixtures that did not previously qualify as machinery or plant for Capital Allowances. Irrespective, therefore, of whether or not the seller has made a full claim to allowances for expenditure incurred prior to April 2008, the buyer could have an unrestricted entitlement to allowances for the previously non-qualifying items.

CAPITAL ALLOWANCES DECISION TREE

Property Purchases - How a buyer deals with Plant & Machinery



Typical upper and lower ranges for different building types are given below (please note: this also shows the different rates of allowances attracted by the different pools; ie. 20% main pool and special 10% pool items):



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