

Case Study

Client: Care home investor/operator
Value: Total expenditure £4.5m
Services: Capital allowances
Sector: Public | Healthcare |
Residential Care

Care Home Purchase United Kingdom

Challenges

- The client was an independent care home owner who in a comparatively short period undertook a rapid expansion from one to three care homes.
- Each property had no history of capital allowances claims and therefore, it was possible to consider making a purchase claim on each acquisition.
- At the same time, each of the three homes underwent significant improvement of the existing building, as well as adding extensions.
- A complex analysis was required to ensure that claims were optimised, while at the same time reconciling the various expenditures to carefully ensure that the purchase claims properly integrated with the subsequent improvements.
- Considerable expenditure on revenue items to be taken into account.

Solutions

- Each purchase analysis was a “just apportionment” claim under Section 562 Capital Allowances Act 2001 and as no previous claims had been made on the buildings, considerable benefits were achieved.
- Dealing with the extensions required a full analysis of the expenditures to segregate all allowable fixed plant and machinery.
- The expenditure on other improvements was firstly sifted for any possible revenue items that could be treated as current year tax deductions.
- Where any renewals of plant and machinery included items that would otherwise have fallen into the purchase claim, the two exercises had to be reconciled to maximise the tax relief on a basis that would stand up to HM Revenue & Customs scrutiny, if necessary.

Results

- Overall the total expenditures incurred combining purchases and improvements totalled £4,555,670.
- Of this a total of £1,224,886 qualified for tax deduction either as revenue expense or as improvements that qualified for fixed plant and machinery allowances. In other words 27% of all expenditure became tax allowable in on way or another.
- This level of saving was quite beyond the expectations of our client and was a considerable reassurance as the tax savings going forward ensured a higher level of financial liquidity.



“Utilising capital allowances relief’s has become a key tool in assisting our clients achieve the minimum effective level of tax. Davis Langdon’s recognised standing with HM Revenue & Customs is an important as we know we can rely upon them to produce results that are rarely questioned.”

Philip Munk, Managing Partner, TWP Accountants

Reflections

- This was a very successful exercise that took place over a period of two to three years and made a significant difference to the investment returns for our client.
- The opportunity could have been further improved if the availability of tax relief had been taken into account in advance as it helps to stretch a budget. Being able to identify potential levels of savings can be very helpful when determining specification choices.
- Securing savings under the enhanced capital allowances scheme needs to be considered at the planning stage.