

Chain Restaurant, Aberdeen, United Kingdom

Challenges

- The client had an ambitious expansion plan for his successful restaurant concept and were signing up to leases in various locations and undertaking fit-out work on each.
- The works comprised the complete fit-out from a developers shell and included operational equipment.
- They were getting advice on capital allowances from their accountants, but were looking for our input to increase the proportion of the costs of each project that could be recovered through tax relief.
- We were also asked to provide some strategic tax planning advice around maximising the enhanced capital allowances for any energy and water saving plant installed.
- This case study relates to one restaurant, but is representative of the works involved within the portfolio.

Solutions

- We initially reviewed the current operational restaurants so that we could understand the brand concept. This included site visits and a review of their costs.
- We spoke to the client's suppliers so that they understood our role in the process and the importance of the information we would need from them.
- We advised on the selection of equipment that would yield the most beneficial cash flow.
- Reviewing the mechanical and electrical installations in detail to ascertain the current enhanced capital allowances position and if beneficial adjustments could be made.
- The potential for short life asset allocation was explored to maximise the cash flow of the allowances on operational equipment not expected to last more than five years.
- We also focused on fittings that assisted in the creation of ambience relevant to the trade and claimable to last more than five years.

Results

- 76% of the total cost of the works was identified as plant and machinery.
- Of this 41% of the claim qualified as main pool plant and 15% as special rate pool plant.
- 18% was identified as short life assets which would be treated as main pool plant until disposed of. If disposed of within five-years a beneficial balancing allowance would accrue.
- The remaining 3% qualified as enhanced capital allowances being energy or water saving plant on the ECA technology lists. This mainly related to heat pump cooling installations and lighting.
- Decorative assets creating ambience formed a good proportion of the main pool plant claim value.



Reflections

- We were able to meet the client's expectations of increasing the overall value of allowances within the expenditure.
- We were able to improve the cash flow of the allowances via the short life asset elections and the understanding and maximisation of enhanced capital allowances.
- We were able to be more involved with future projects at an earlier stage in order to ensure, where possible, that the most beneficial plant was used where this was not outweighed by additional cost.