

## Case Study

Client: Property investor  
Value: Analysis of circa £20m  
development expenditure  
Services: Capital allowances  
Sector: HSC | Hotels

# The City Road Hotel Travelodge, London, United Kingdom

## Challenges

- The client was a property investor with some knowledge of capital allowances. The property was to be held in an offshore structure and was leased to Travelodge on their usual terms.
- The 392 bed hotel over seven storeys was a combination of new build and refurbishment, requiring different treatment of each section of the development to maximise the allowances values.
- The procurement method was design and build. One challenge was to ensure cost information was available to the correct level of detail, which required early liaison with the contractor.
- It was unusual in terms of general Travelodge properties, being a London City property and fully air-conditioned. Design considerations, however, meant enhanced capital allowances were not a significant part of the exercise.



## Solutions

- As the client's knowledge was rudimentary we ran through the whole process with him at appointment stage.
- This included a summary of how the regime works and is administered by HM Revenue & Customs, the process we would expect to go through before, during and after completion including any negotiation.
- Early consideration was given to the interaction with the long funding lease rules which had been recently introduced at the time and how they would affect the contribution Travelodge required towards the FF&E.
- As a hotel property the usual sector considerations were brought to bear during the analysis. These included consideration of ambience and electrical entity (a pre-April 2008 claim).

## Results

- Despite the heavy structural nature of the works and the separate treatment of the FF&E, almost a third of the total cost was identified as plant or machinery, with a proportion qualifying for enhanced capital allowances.
- Our early advice on the long funding lease rules allowed the client to appreciate the different tax treatment required for the FF&E funding costs.
- The claim was agreed at the value established with no negotiation of the figures.

## **Reflections**

- Our early involvement settled a number of issues that could have become difficulties had they not been addressed at the appropriate time.
- The relationship we have always fostered with HM Revenue & Customs and their understanding of our approach and knowledge, allows us to obtain highly beneficial agreements for clients without increasing their risk profile, or inviting unnecessary tax enquiries.