

Case Study

Client: Folkes Holdings Limited
Completion date: 2009
Value: £7.5m
Services: Capital allowances
Sector: Commercial | Offices
Contractor: A&H Construction

Langley Point, Birmingham United Kingdom

Challenges

- We were appointed as capital allowances adviser after the project had started on site, this makes maximisation slightly more difficult and limited our influence over tax planning enhancements.
- The claim was required prior to practical completion, even though costs were not complete — an initial submission was based on the final valuation.
- Reconciliation to the clients' statutory accounts proved a difficult exercise due to the level of information available.
- Design and build documentation contained lump sums, resulting in an additional analysis being required to break larger costs into qualifying items, in order to maximise the claim.
- Identifying qualifying enhanced capital allowances once equipment was installed.

Solutions

- Regular site visits helped us appreciate the issues faced by the design team and contractor, with a cost significance.
- Good record keeping helped create a full audit trail should it be required for full HM Revenue & Customs negotiation, although rarely called upon in practice, this is an essential precaution.
- Enhanced capital allowances were maximised post completion by cross checking the M&E asset register with the energy technology list to identify qualifying assets.
- Regular dialogue with design team members helped build a case for items at risk of disallowance; for example the plenum ceiling.
- We supplemented "missing" costs with those from our own records where breakdowns were not available, to achieve a higher claim value.

Results

- The total value of allowances compared to total construction cost was a very respectable 42%.
- Enhanced capital allowances were secured on gas condensing boilers, solar hot water heating system and variable speed drives.
- A robust, fully auditable claim was delivered to the client on time.

Reflections

- The BREEAM assessment process necessitated the incorporation of energy efficient equipment, some qualifying for 100% enhanced capital allowances, resulting in higher tax savings compared to "normal" allowances.
- Our work helped deliver a large tax saving to the client.



The project comprised the construction of a new office building which is the only self-contained building of its size in Birmingham to achieve a BREEAM excellent rating. It was purpose built to keep running and maintenance costs for the occupier to a minimum, incorporating features including passive chilled beam cooling for high thermal performance and solar heated water technology.

- Close working with the design team and client were essential elements.
- BREEAM and enhanced capital allowances assessments compliment each other — i.e., a good result in one can assist in a good result in the other.
- The installation of sustainable equipment from the energy technology list was promoted by the dual benefit of providing accelerated tax relief and an excellent BREEAM rating.