

Case Study

Client: Care home
developer/investor/operator
Value: Analysis of £3.5m
development expenditure
Services: Capital allowances
Sector: Public | Healthcare |
Residential Care

101 Bedroom New Care Home Essex, United Kingdom

Challenges

- Our client is a successful and well-established care business that has built up the complete capability of locating opportunities, undertaking the development process themselves and then operating the completed home.
- An acute view of achieving high levels of financial performance is at the core of our client's operation and this has enabled them to take full advantage of the downturn to source less expensive sites and maintain an ongoing construction programme for new care homes.
- Our role within the company is to provide the outsource expertise to ensure that tax relief opportunities are optimised.
- The initial work undertaken was an historic analysis of past unanalysed expenditures.
- The role looking forward has now shifted to ensuring tax relief is considered at the early stages of project planning.

Solutions

- With long-standing experience in commissioning their own build projects, there was an existing professional team that had established forms of working.
- Establishing ways to integrate our information gathering requirements into the organisation without causing disruption to their programme.
- Tax relief had not previously formed part of the project team's agenda and over time a process of interaction was put in place to raise the profile of opportunities such as the enhanced capital allowances scheme.

Results

- The claim established on this project was a total of £1,053,853 of capital allowances for fixed plant and machinery out of the project budget of £3,503,949.
- Taking the wider view of the portfolio overall - there have been expenditures in excess of £40m and of that over £10m has been qualified for tax relief.
- It was necessary to negotiate with HM Revenue & Customs on some claims made on expenditure prior to 2008. The volume of work undertaken had resulted in over £5m of relief on this first tranche and resulted in some queries from the Inspector of Taxes.
- A process of negotiation and agreement was required with the regional building surveyor. Although due to our 'low risk' status with HM Revenue & Customs, there is only a limited likelihood of further negotiation becoming necessary.



"We have used Davis Langdon on our capital allowances claims with effect from the year ended 30 September 2005 and have found them to be very professional in every aspect of their work, yet very user-friendly and easy to deal with. We have found that utilising their expertise has been the most effective way to maximise our capital allowances claims. Consequently, we expect that our association with them will continue for many years."

Reflections

- Fully identifying and qualifying capital allowances inevitably made a significant impact on our client's investment returns.
- Raised awareness of tax relief in their construction team.
- Resulted in a greater engagement with achieving 'tax friendly' building designs.
- Created a growing focus on the green agenda and to considering options such as combined heat and power plants, or ground source heat pumps, which attract 100% enhanced capital allowances.