

Case Study

Client: Dental Partnership
Value: Analysis of £2.2m
development expenditure
Services: Capital allowances
Sector: Public | Healthcare

New Specialist Dental Centre, United Kingdom

Challenges

- The project required a two-stage approach to identifying the appropriate capital allowances.
- The building was acquired off-plan from a developer with adaptations to achieve the layout required by the practice.
- Where a building is acquired directly from a developer there is typically no information available on expenditure on plant and machinery.
- The partnership incurred significant additional expenditure in undertaking extensive fit-out.
- Workshop areas for denture repairs which opened the opportunity to consider industrial buildings allowances (now being phased out).

Solutions

- The initial acquisition from the developer required an analysis of the price paid in order to fix a value for the fixed plant and machinery content.
- This requires a “just and reasonable” apportionment under Section 562 of the Capital Allowances Act 2001.
- Developers selling a building on are reluctant to provide background cost information as it is commercially sensitive to them.
- Davis Langdon’s ability to recreate cost data, even on specialist buildings, meant that we were able to optimise the value attributable to tax relief.
- The second stage was an analysis of the expenditure directly incurred by the partners. As this was incurred for the purposes of their trade, a very high level was able to be qualified for plant and machinery allowances.
- Given the complexities of a two-stage analysis using quite different methodologies, the clients’ accountancy advisers were pleased to involve Davis Langdon’s specialist team.

Results

- Overall a significant tax saving was achieved with in total some £450,000 qualifying for tax relief.
- The claims were submitted with the partners’ tax computations and were accepted by HM Revenue & Customs without comment.
- Our low risk status with HM Revenue & Customs means we can deliver greater certainty that allows for future tax planning.



Reflections

- With such valuable savings, it emphasises the benefit of an early consideration of their potential effect.
- Any medical facility will be a comparatively sophisticated building and as owners in a partnership will be marginal rate tax-payers - it accentuates the savings available.
- Early consideration will help financial budgeting and setting specifications.
- Opportunities such as the enhanced capital allowances scheme (100% first year relief for low energy equipment) can also be optimised with a pre-planned approach.