

Refurbishment savings

Optimising tax reliefs to minimise the budget

Project
Office refurbishment
Client
Property investor
Role
Capital Allowances
Consultancy



The challenge

Viability is the driver for any refurbishment scheme – and even more so in a period of austerity – when decision makers will want a well-supported case before committing the necessary funds.

The cost of a commercial refurbishment may contain significant bottom-line tax savings including:

- 150% Remediation reliefs for the removal of contamination e.g. asbestos
- This relief extends to all replacement materials i.e. new ceilings if affected
- Capital Allowances for new Plant & Machinery (P&M)
- Works associated with P&M i.e. removal, making good, and installation costs all qualify for relief and can be significant
- 100% Enhanced Capital Allowances (ECAs) for low carbon/energy saving equipment
- Additional insulation can qualify for relief i.e. insulation to cladding, or glazing improvements
- Repair items can be sifted out as revenue expense

Example

A well-located but run-down office building in Bristol required substantial upgrading to improve its marketability. A proposed renovation project at first appeared non-viable. A review of the potential tax reliefs produced the following analysis:

Project budget -	£1,400,000
Tax relieved element -	<u>£850,000</u>
Actual tax savings (28% rate)	£238,000

This was enough to provide the confidence to proceed and the completed project received good tenant interest, comfortably meeting rental projections.

Going forward

Energy performance modelling links closely to an ECA friendly approach and can help ensure an optimised outcome as many older buildings start with low EPC assessment levels.

With the Carbon Reduction Commitment soon to be introduced – this can also reflect in lower emissions, and fewer Carbon Allowances – thus helping to future-proof a building.

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