

Are you a property owner missing an opportunity to reduce your tax liability? A Capital Allowance Valuation could improve your cash flow!

Frequently Asked Questions

In association



1. What are Capital Allowances?

Capital allowances are a tax relief designed to allow the cost of some of your company, organisation or individual assets to be written off against its taxable profits. They take the place of the depreciation shown in the financial accounts, which isn't allowable for Tax purposes.

There are different types of capital allowances. For each allowance, there are special rules to calculate how much, if any, relief you can claim. You have to follow these rules, rather than the method used in your accounts for calculating depreciation.

2. Can I make a claim?

- As long as you are a UK tax payer;
- As long as you still own the building in question;
- As long as it is not held in a pension fund, by a government body, treated as stock in your / the clients accounts, or held by a charity.

3. On what type of building can I make a claim?

All properties other than those that fall within the definition of a 'dwelling house' (whether used in your own business or let out).

A dwelling house is a building, or part of a building; its distinctive characteristic is its ability to afford to those who use it the facilities required for day-to-day private domestic existence.

The common parts (for example the stairs and lifts) of a building which contains two or more dwelling houses will not; however, comprise a dwelling house and as such a claim may be possible on those common parts.

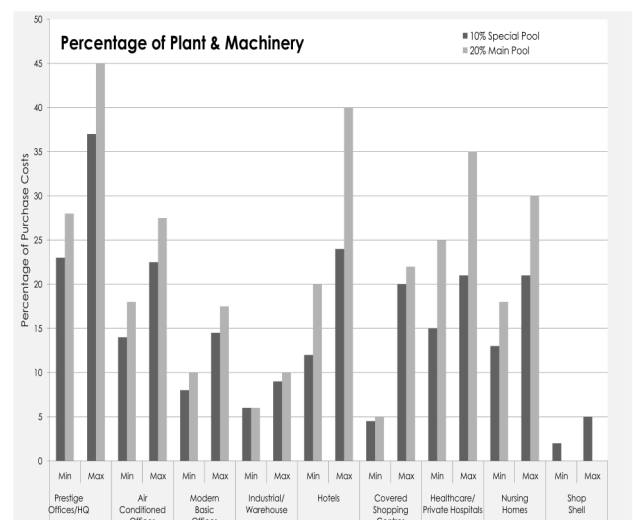
4. Is there a time limit on making a claim?

No, although the purchase price of the property will have to be taken into consideration when deciding to proceed.

5. Is there a minimum property purchase price?

Careful consideration should be given to the indicative percentage level of potential capital allowances (please refer to the bar chart opposite for typical percentages of plant and machinery within different building types).

Many practices will only undertake capital allowance valuations on properties where the purchase price was greater than £500,000. We will review the merits of each property transaction, as making a claim for a property with a lower purchase cost which inherently retains high levels of plant and machinery could be as beneficial as a high value property with lower retained levels of plant and machinery.



6. Will my accountant have already undertaken this process?

Unless your accountant has instructed a Chartered Surveyor to carry out a detailed visual inspection of the property, and had the results analysed by a Chartered Tax Adviser, it is very unlikely that this has been done.

This information is needed to carry out the exercise and cannot be obtained other than by a detailed survey. We work alongside your accountants, not in competition with them, to secure a tax refund and / or reduced future tax liability, for an individual, partnership or company.

7. What are the allowances worth?

Claimable allowances typically equate to 20-40% of the investment in the property.

The allowances are used by your accountant / tax adviser to reduce your taxable income. As such the tax value of the allowances will depend upon your tax position. The reduction in tax as a result of the allowances could be worth as much as 20% - 29.75% for companies or 20% - 50% for individuals.

8. Will HMRC simply accept the figures?

Our reports are prepared in accordance with HMRC guidance and as such will normally be accepted on face value. Your accountant / tax adviser will provide guidance on the process for amending past / current tax returns to include the claim and part of the process will be a decision as to whether to provide a copy of the report to HMRC. Although it is not necessary under self assessment, you may choose to do so and we fully expect that the report may be made available to HMRC.

If you do not initially send in the report and HMRC enquire as to the sources of the information, then the report should be provided at that point. We will liaise with HMRC concerning any queries they have on the contents of the report, to the extent that they relate to whether an allowance is due on a particular item or not, to ensure that the position can be agreed. Due to the nature of the work being carried out, HMRC are only likely to query the value of the claim and as such any enquiry would only reduce / increase the value. If this happens and the value of the allowances are reduced, we will issue a credit note based on the percentage charged in their identification.

If HMRC disallow the report on the basis that the property is not being used for the purpose that allows a claim to be made (e.g. it is in fact a dwelling or is a development property treated in your accounts as stock), or you fail to provide the correct or relevant information, then no credit note will be issued as this is outside our control.

9. What is the fee for the services?

There is no upfront fee associated with the services. The fee is calculated as a range of percentages of the progressive levels of the identified capital allowances. There will be no fee payable if there are no capital allowances identified.

Fees are charged on the following basis:

Unclaimed capital allowances	Robertson Grey percentage fee of unclaimed capital allowances
£0 - £50,000	7%
£50,000 - £150,000	5%
£150,000 - £500,000	4%
£500,000 - £750,000	2%
£750,000 +	1%

Note: All fees are subject to VAT and inclusive of all reasonable disbursements.

9. What is the fee for the services? (continued)

Therefore, our fees would be as follows;

- 7% of first £50,000 of the total amount of identified unclaimed allowances (IUA's);
- 5% of next £100,000 of the total amount of identified unclaimed allowances (IUA's);
- 4% of next £350,000 of the total amount of identified unclaimed allowances (IUA's);
- 2% of next £250,000 of the total amount of identified unclaimed allowances (IUA's);
- 1% of any sum above £750,000.

Example Fee - A client has a total unclaimed capital allowances of £210,000 identified by RG.

Therefore, our fee would be as follows;

• £0 - £50,000 (£50,000 @ 7%) -	£3,500.00
• £50,000 - £150,000 (£100,000 @ 5%) -	£5,000.00
• £150,000 - £500,000 (£60,000 @ 4%) -	<u>£2,400.00</u>
Total Fee -	£10,900.00 + VAT

10. What is the process?

1. Client signs RG's Scope of Service & Terms of Engagement.
2. Client forwards documentation in accordance with the RG Questionnaire, which is also to be completed.
3. RG undertakes review of the documentation to assess the validity of a claim prior to undertaking a detailed visual inspection of the accessible areas of the property.
4. The Capital Allowance Valuation report is prepared in a HMRC approved format and a draft copy is issued to the client who has 7 working days to make comment to RG.
5. Following the 7 day period the full (should no comment be received from the client or their accountant) or amended report is issued to the client with an interim invoice for 50% of the RG fee.
6. Client forwards valuation report to their accountant / tax adviser who will make the necessary adjustments to the client's tax return. Although the client does not have to use an accountant / tax adviser it is recommended to ensure that the claim is made correctly.
7. RG issue final invoice for the remaining 50% of the agreed fee 20 working days after the date of issue of the report / amended report to the client.

11. How long does the process take?

From instruction, approximately 4 weeks to issue of the Capital Allowances Valuation Report. Your accountant should then be in a position to make a claim within 4 weeks of receipt of the report.

12. Case Study

RG's client purchased a modern two storey detached steel framed office building for £700,000 in April 2009. RG were appointed in October 2010 to undertake an inspection of the property and prepare a Capital Allowance Valuation. Robertson Grey identified unclaimed Capital Allowances of **£181,670.52** within the building which comprised of £40,510 of Plant & Machinery (20% WDA) and £141,160 as Integral Features (10% WDA). Our client reduced his taxable income in the 2009/2010 tax year by £112,218 (£100,000 AIA and £12,218 WDA on the balance).