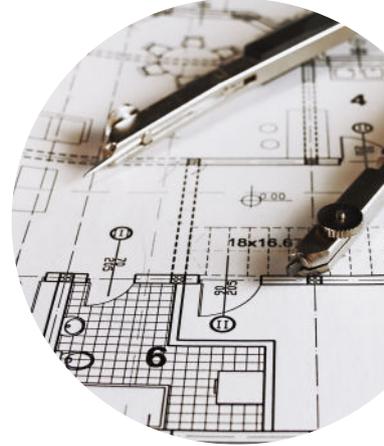


Structures and Buildings Example

This example shows how the introduction of Structures and Buildings Allowances (SBA) and how an increased Annual Investment Allowance (AIA) could be applied.

Scenario (based on post April 2019 expenditure):

A business had expansion plans which required bigger premises. They acquired land and subsequently constructed a new building over a 12 month period. The cost to buy the land and build the new premises totalled £2,000,000. A further £250,000 was spent on furniture and equipment. Although invoices were easily identifiable for the £250,000 fit out, contractors were engaged for the build which was paid for in stages



Actions:

It is important that the following categories are formulated as illustrated below to understand the limitations of Structures and Buildings Allowance.

It is difficult to accurately calculate the split between Land, Setting & Immovable Fixtures & Fittings without specialist input. On most occasions, a specialist survey and valuation of the premises is required, combined with expert knowledge of Capital Allowance legislation and qualifying criteria.

Land & Buildings

Fixtures & Fittings



Land
£250,000



Setting
(Bricks & Mortar)
£750,000



Property Embedded
Fixtures & Fittings
(Immovable)
£1,000,000



Fixtures & Fittings
(Movable)
£250,000

Treatment - Tax Return

- Land: In this example, there is no tax immediate relief available.
- Setting: The full £750,000 cost can be claimed under the new Structural Buildings Allowance (SBA).
- Immovable Fixtures: The full £1,000,000 can be claimed under the Annual Investment Allowance (AIA).
- Movable Fixtures & Fittings: standard Writing Down Allowances (WDA) would apply.

Treatment - Accounts

This is where mistakes typically occur. It is incorrect to show the above figures on the Balance Sheet as:

- £1,000,000 under Land & Buildings
- £1,250,000 under Fixtures & Fittings



In the accounts, the £2,250,000 expenditure should be reflected as follows:

- £2,000,000 under Land & Buildings
- £250,000 under Fixtures & Fittings



First Year Tax Savings/Reductions in Profits: £213,550