

PLANNING GUIDE

Property Renovation Capital Allowances Planning Guide

How to structure renovation spend for maximum tax relief, before contractors are appointed

Renovation spend is one of the biggest sources of tax relief in commercial property, and one of the easiest to lose. Most of the value is decided before the first invoice: by how the works are designed, priced, contracted and recorded. Use this checklist with your project team and accountant at each stage.

Stage 1: Before the design is fixed

- ☐ Involve a capital allowances specialist while the design and cost plan are being prepared.
- ☐ Confirm who will incur the cost (landlord, tenant or both) and who holds the relevant interest in the property.
- ☐ Check whether the business is a company within corporation tax, as this affects full expensing and first-year allowances.
- ☐ Identify which chargeable periods the works will fall into, and how much Annual Investment Allowance (AIA) is left after any group or related-company claims.
- ☐ Flag energy-efficient items (heat pumps, LED lighting, building management systems) and any EV charge-points.

Stage 2: Tender and contract

- ☐ Ask contractors to price plant, integral features, building fabric and repairs separately, rather than as one lump sum.
- ☐ Keep dated building contracts: the Structures and Buildings Allowance (SBA) needs contracts entered into on or after 29 October 2018.
- ☐ Agree in writing any landlord or tenant contributions towards the works.
- ☐ Plan stage payments around chargeable period ends where timing affects the AIA.

Stage 3: During the works

- ☐ Code invoices at source: capital plant, integral features, building fabric, repairs and non-qualifying items.
- ☐ Keep specifications, product data sheets and installation records for M&E and energy-related equipment.
- ☐ Record practical completion and the date each area is brought into qualifying use.
- ☐ Keep variations and the final account linked to the original cost breakdown.

Stage 4: After completion

- ☐ Commission a capital allowance review of the final account, including apportioned fees and preliminaries.
- ☐ Separate genuine repairs (deducted as revenue) from capital improvements.
- ☐ Prepare a written SBA allowance statement for qualifying structural works.
- ☐ Use the AIA on special-rate expenditure such as integral features first, then full expensing for main-rate plant where the company qualifies.
- ☐ Keep the evidence pack for HMRC enquiries and any future sale of the property.

Common pitfalls to avoid

- Accepting a single contractor total with no cost breakdown.
- Assuming Enhanced Capital Allowances still apply: they ended in April 2020. Energy-efficient kit now usually qualifies through the AIA or full expensing.
- Missing SBA on structural works, or not preparing an allowance statement.
- Landlord and tenant confusion over who paid for what, and who claims.

Planning a commercial property renovation?

Request a no-cost capital allowance assessment. We identify qualifying spend across the AIA, full expensing, first-year allowances and the SBA on a no win, no fee basis.

propertycapitalallowance.com | info@capitalallowancereviewservice.com

This guide is general information, not tax advice. Rules and rates are as at October 2026 and may change. Full expensing and 50% first-year allowances apply to companies within corporation tax only, on new and unused assets, subject to exclusions. Take specialist advice on your own project.