

Case Study

Property Type: Restaurant

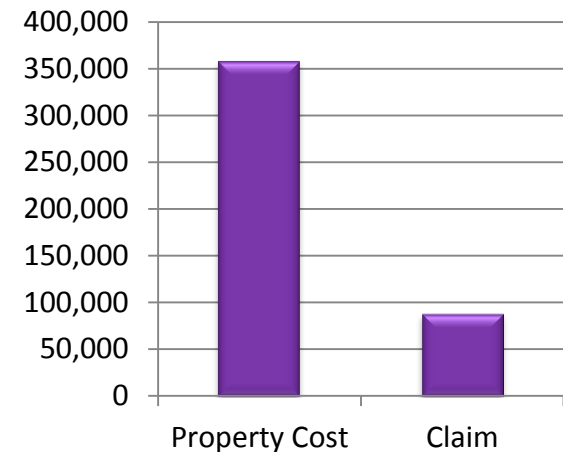
Scenario:

This restaurant is owned personally and occupied by their own Company. The building was acquired in 2009 and cost £358,000. The rent received from the Company occupying the property created a tax liability for the Client.

The combination of a tax liability and documents showing the previous owners had not carried out the exercise of highlighting the Property Embedded Fixtures & Features (PEFF's) meant the Client would benefit from our expertise.

- Total Property cost: £358,000.
- We highlighted: **£88,382** (24% of the property base cost) of unclaimed PEFF's that qualify for tax relief.

Due to the Client's higher rate tax status, this meant the amount of tax that will be saved as a result of the PEFF's highlighted will total **£35,352**.



PEFF examples:

- **Extractor Fans**
- **Intruder Alarm**
- **Non slip flooring**
- **Toilets**
- **Air Conditioning**
- **Mirrors**
- **Boiler**

Property Capital Allowances – New Rules Sec 187A-B CAA2001 (brought in by the Finance Act 2012)

HMRC introduced new legislation to stop what they considered to be duplicate claims being made in error. What it actually does is force the Capital Allowances to be dealt with at the point of sale. This only applies to commercial property transactions after 01.04.14. However, if this is not dealt with correctly there are now far reaching implications, the Capital Allowances could be lost **ENTIRELY**.

When the new rules apply:

Property transactions completed post 01.04.14.

Pooling Requirement:

Expenditure must be pooled i.e. The Capital Allowances have to be quantified, this doesn't mean claimed, simply identified and documented.



Fixed Value Requirement:

There must be an agreement between the two parties formally agreed within 2 years of a value transferred between them (typically via an election under sec198 of CAA2001). Tribunal available if parties cannot agree.

Implications:

Capital Allowances need to be dealt with as soon as possible when considering a property transaction. This can be a significant negotiation for buyers and sellers of property and if missed, can cause very serious implications for all potential advisers.

See Link: ([Mehjoo v Harben Barker \(A Firm\) &Anor \[2013\] EWHC 1500 \(QB\) \(05 June 2013\)](#))