

UK GAAP determines that more and more traditional repair and maintenance type asset costs are capitalised. **Identifying this expenditure's tax character can provide significant cost savings on seemingly lost tax relief.**

The issue

- Accounting and taxation principles have been moving ever closer in recent years.
- As more expenditure becomes capitalised, HM Revenue & Customs are moving towards tax relief on a depreciation basis.
- **The perceived 'automatic' tax relief received for 'accounting revenue' expenditure now needs separate and detailed consideration for tax purposes.**
- In this very subjective and complex area claims are minimal and when produced are inaccurate and incorrect.

The relief

- Revenue Tax Relief is available to all purchasers who have capitalised relevant repair and maintenance type costs.
- The relief is available as a deduction from profits in line with the relevant depreciation policy.
- The relief can represent additional **cash savings of as much as 20% of cost** on a typical refurbishment project.

Our approach

- We are a team of tax qualified property professionals with Big 4 accountancy experience at senior levels.
- We have the right combination of skills to understand the tax, accounting and construction issues that arise in refurbishment projects.
- We work **with** your existing tax and project advisers in a highly specialised capacity.
- We offer a complete solutions based service from entitlement reviews through to report preparation and securing the best possible claims with HM Revenue & Customs.

The detail

- The relief is available to all taxpayers who incur relevant expenditure for the purposes of their trade.
- The relief is available for genuine repairs only and detailed consideration is required for each work stream undertaken.
- The distinction between entire and part assets is very important, i.e. entire assets that are replaced may not qualify, e.g. a replaced property extension.
- The relief is heavily dependant on the interpretation of relevant case law.
- Detailed and fully disclosed analyses are required to support a claim.

The numbers

For an Investor incurring **capital expenditure of £500,000 on say a retail refurbishment:**

Refurbishment expenditure:	500,000
Expenditure qualifying for Revenue relief (say 50%)	250,000
Overall tax saved through relief (at 30% large companies rate)	75,000

A 15% cash saving of £75,000

How we can help

- If tax is considered at pre-contract stage, the schedule of works can be clarified and altered to support the claim process.
- Particular attention is required where claims may be made on expenditure incurred subsequent to an acquisition.
- Once claim principles are established agreements can be sought with HM Revenue & Customs to rationalise claims for future expenditure of this nature.

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