



## Potential Capital Allowance

We have considered all of the points and answers provided. In order to be able to confirm the potential Capital Allowance additional Due Diligence is recommended in accordance with HMRC's guidelines.

<b>Check ID:</b>	587
<b>Your Reference:</b>	TEST123
<b>Check on behalf of:</b>	Vendor
<b>Building Name/Number:</b>	21
<b>Street:</b>	Somstreet
<b>Locality:</b>	Littleton
<b>Town/City:</b>	London
<b>County/Region:</b>	Surrey
<b>Postcode:</b>	SW19 1PQ
<b>Country:</b>	United Kingdom

# Check Summary

<b>Question 1</b>	Is the property owner outside the scope of corporation tax or income tax. (e.g. Local Authorities, Government bodies, Pension Funds etc)?	<b>Yes</b>
<b>Question 2</b>	Does the property owner currently pay UK income or corporation tax or has paid tax in the last 2 tax years?	<b>Yes</b>
<b>Question 3</b>	Property Type	<b>Commercial</b>
<b>Question 4</b>	Was the property bought after 24th July 1996?	<b>Yes</b>
<b>Question 5</b>	Is the property owned by more than one legal entity or individual?	<b>Yes</b>
<b>Question 6</b>	Has the vendor requested an election for Capital Allowances?	<b>Yes</b>
<b>Question 7</b>	Has the buyer requested an election for Capital Allowances?	<b>Yes</b>

SAMPLE

# Potential Capital Allowance

## Enhanced Due Diligence Recommended

Date/Time: 2015-04-22 18:57:39

We have considered all of the points and answers provided. In order to be able to confirm the potential Capital Allowance additional Due Diligence is recommended in accordance with HMRC's guidelines

Please ensure this document is sent to the Vendor, their professional advisor or accountant.

In order to have your specific case assessed and the potential Capital Allowances confirmed, please register your information at;

<http://www.planval.com/ca/>

Your unique Property ID is: **sandbox**

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## About Capital Allowances

Like many areas of tax to identify the correct Capital Allowances for your client is a specialist task and sub-contracting the exercise to a non-specialist quantity or building surveyor is normally a bad idea.

We have considered all of the points below, and undertake a rigorous compliance process, in accordance with HMRC's own guidelines, to ensure your clients best interests are met.

Typically capital allowances are claimed on the cost of plant and machinery existing within a commercial property, however depending upon the circumstances of the Vendor and buyer, along with the intended use of the property, a claim may be viable on a residential property.

Claims can considerably reduce tax liability and can sometimes result in a tax rebate. It should however be noted that in the case of residential property the cost of assessing the claim can exceed the benefit of the tax allowance.

Capital allowances are often overlooked, misunderstood and undervalued. Expertise from a number of fields is needed to deal with the evaluation and the calculation of the maximum permissible allowances under complex current and future legislation.

To maximise tax savings and achieve accuracy in tax returns different valuations are used for SDLT and capital allowances purposes based on independent valuations prepared for their respective purposes. And if capital allowances claims have been missed in the past this may be easily remedied with specialist knowledge.

A capital allowances claim for a purchase should be calculated using a specialist 'just and reasonable' apportionment, or a valid s198 election should be negotiated and submitted.

However, an election is not normally in most buyer's best interests and still requires caution, including incorporating corresponding protective legal clauses in the purchase contract and undertaking adequate capital allowances due diligence.

Unless there is a s.198 CAA 2001 election the only approach permissible is a 'just and reasonable apportionment'. This is required for capital allowances by s562 CAA 2001 (and for SDLT by para 4, Sch 4 Finance Act 2003).

This statutory requirement always operates by default and there is a well-established specialist surveying and valuation methodology for doing it that is endorsed by the Valuation Office Agency.

PlanVal's Capital Allowance Check is designed to highlight the potential Capital Allowances for a Vendor and Buyer, subject to our initial Due Diligence below each case may need further investigation on its own merits as specified later in this document.

## Initial Due Diligence

### Question 1

**Is the property owner outside the scope of corporation tax or income tax. (e.g. Local Authorities, Government bodies, Pension Funds etc)? : Yes**

The property owner will not directly benefit from a Capital Allowances claim, but may receive a premium in property sale price for the buyer.

Note: *Client can potentially 'sell' the value of the Capital Allowances to the buyer if they are a tax payer.*

### Question 2

**Does the property owner currently pay UK income or corporation tax or has paid tax in the last 2 tax years? : Yes**

Refer to PLANVAL for further advice - Client can potentially recover income or Corporation tax for the last 2 open tax year OR could receive a premium in property sale price for the buyer.

Note: *Property owner can determine if there is a greater benefit to retain the Capital Allowances to use against own tax, or to potentially 'sell' the value of the Capital Allowances to the buyer if they are a tax payer.*

### Question 3

#### Property Type : Wholly Commercial

The property will qualify for Capital Allowances

Note: *The property will qualify for Capital Allowances*

### Question 4

#### Was the property bought after 24th July 1996? : Yes

Any of the properties prior owners may have claimed Capital Allowances.

Note: *Refer to PLANVAL to undertake the compliance to establish that if the property owner can benefit, and the property qualifies, that they are therefore entitled to claim.*

### Question 5

#### Is the property owned by more than one legal entity or individual? : Yes

Undertake these compliance checks for each entity.

Note: *It may be that one owner is tax paying and another not, and the tax paying entity may which to proceed to a CA claim.*

## Question 6

### Has the vendor requested an election for Capital Allowances? : Yes

Client is aware and has probably claimed Capital Allowances on the property. This will be highlighted in the sale documents, and the buyers solicitor will advise their client accordingly.

*Note: Request copies of Capital Allowances computation / claim report to disclose to Buyers solicitor, and ensure the s.198 election is formatted correctly.*

## Question 7

### Has the buyer requested an election for Capital Allowances? : Yes

Buyer is aware and wishes to probably claim Capital Allowances on the property. This will be highlighted in the sale documents, and the seller should be made aware of the benefits of Capital Allowances and the risks of not claiming.

*Note: Refer to PLANVAL for further advice - Client can potentially recover income or Corporation tax for the last two open tax year or sell on CA's to buyer.*

## Capital Allowances Check – Limitations

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