

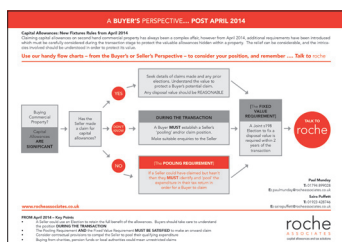
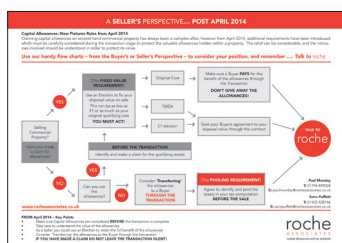
Welcome to our Spring 2014 newsletter to update you on the latest capital allowances industry news and some recent business developments within the Roche walls. With a very successful 2013 behind us, Roche Associates continues to develop successful claims for our clients, saving £millions through existing and new key client contacts and strong relationships with lawyers, financial houses, environmentalists, surveyors and accountants.

TECHNICAL DEVELOPMENTS

Fixtures Rules – Significant Changes Come into Force in April 2014

The Fixtures rules that came partly into force in April 2012 are now in full swing and all owners of commercial property should act NOW to make sure they get the best value from the capital allowances within their property.

See our attached flowcharts for a useful guide to the changes, and how they affect you.



OPPORTUNITY ££££s

Remember... Once you have spent money buying, fitting out, building or refurbishing commercial property, you may well think that this is money spent and written off to your balance sheet, but it may be worth thinking again. Capital Allowances are a form of tax relief available to tax payers incurring money on property and when used effectively, they can create substantial reductions in current tax payable and can be claimed even when the expenditure in question occurred several years ago.

BUDGET UPDATE

Surprise Annual Investment Allowance Increase

The Annual Investment Allowance (AIA) is available to individuals and businesses investing capital in qualifying plant and machinery. The Chancellor announced in this year's March budget that the AIA will be temporarily increased from £250,000 per annum to £500,000 from April 2014 until 31 December 2015.

This AIA represents a 100% first year allowance on qualifying assets. For businesses this means that up to £500,000 per year of qualifying investment will be immediately set against profits to reduce the tax payable for the period. Without this AIA this qualifying investment would still be set against profits but the relief is given at a much slower rate, and in some cases can take up to 20 years to be fully written off.

The increase is the second such increase in recent years, and takes the AIA up from £250,000 per year to £500,000 from April 2014 until December 2015. Remember though, after December 2015, the AIA will drop from this £500k high back down to the £25k limit that was in effect before 2013.

VIEWPOINT:

There is no doubt that this increased AIA must represent a significant incentive for business to invest in their property and machinery. However, the measure is temporary and will be subject to a complex time apportionment formula for those businesses whose chargeable period spans the change in rate, so great care should be taken to plan the timing of investment.

Business Premises Renovation Allowance (BPRA)

Much has been made by the Treasury about the perceived abuse of the BPRA rules and therefore the Chancellor's proposals to limit this abuse are no real surprise. BPRA was intended to encourage the revitalisation of disadvantaged areas by bringing non-residential property that had been unused for at least a year back into commercial use.

Measures have been introduced from April 2014 to clarify the scope of the expenditure that qualifies for BPRA and limit the relief to actual costs of construction and building work, together with certain specified activities such as architectural and surveying services. Interestingly, the Treasury has very specifically restricted claims for associated project management fees to a maximum of 5% of the actual costs.

Further measures have been introduced to limit claims if any other form of State Aid has been received, and there is also a very specific list of assets that can be claimed.

Where expenditure is incurred in advance and tax relief claimed immediately, a new requirement that the works must be completed within 36 months has been introduced. In addition, the rule preventing expenditure incurred on buildings qualifying for relief before they have been unused for a year has been clarified.

Finally, a balancing adjustment is now required if certain disposal events occur within a period of 5 years, which is being reduced from the original 7 years.

VIEWPOINT:

BPRA was introduced as a very targeted measure to encourage investment into disadvantaged areas. There is some debate as to whether this has been a successful scheme. The legislation was fairly broadly drafted and so was subject to occasional abuse; therefore this tightening of the rules is not wholly unexpected. However, whether these rule changes serve to simply reduce the incentive to invest may well be the unintended consequence of the changes.

SECTOR NEWS

Buying property from businesses in Liquidation or Administration

In recent years we have been seeing more and more clients acquiring property from distressed businesses. Where selling businesses find themselves in this unfortunate position, the provision of tax history information on the assets to be disposed of is fairly low on their list of priorities.

Contractual provisions in these cases are key to a successful future claim for a Buyer. By requiring a Seller to agree to pool their qualifying expenditure, and agree a disposal value (probably tax written down value in most circumstances so that there is no balancing charge arising on the Seller) through the contract, the Administrator is more likely to be satisfied that they have been able to discharge their responsibilities correctly.

GP Health Centres – a Growing Market

Politicians and Primary Care Trusts have been challenging GP Practices of late to change their approach to property and many are taking advantage. There is now a requirement for bigger, better health centres with complex property ownership structures, leasing to pharmacies, dentists, nurseries, etc. These enterprises are far more than just GP surgeries now – they are serious property undertakings fit for the commercial world. In turn, therefore, these investments provide a significant opportunity to plan for and take the benefit of capital allowances tax relief.

We are currently working on several GP Health Centre projects either entering completion, in progress or in the pipeline. It has been an unexpected revenue stream for us, but a most welcome and worthwhile one.

LAND REMEDIATION UPDATE

Land Remediation Tax Relief (LRTR) had been on the Chancellor's recent simplification hit list, but was lucky enough to be saved. It is a valuable relief available to investors and developers that are cleaning up contaminated land. Depending on the tax rate, tax savings can be worth as much as 32% of the cost of the remediation.

There have been some tightening of the rules in recent years and we have set out below some of the key points to look at to see whether there could be relief waiting for you:

1. The relief is available to limited companies only, so this excludes partnerships, individuals etc. So if it is not too late, consideration should be given to the structure through which any remediation is going to be carried out.
2. The relief is given as 150% of the cost of the eligible remediation works so can create savings of as much as 32% of the remediation cost.
3. Unlike capital allowances, LRTR is not a 'capital' led relief. It is available to both developers and investors who are incurring remediation costs cleaning up brownfield land.
4. As the tax relief is revenue led it must be claimed either in the year that expenditure is incurred or, within 12 months of submitting the tax return (*i.e. the amendment window*).
5. The definition of contaminated land covers many things – from petroleum contamination in made ground to asbestos within old buildings. Essentially though, the contamination must result from an industrial activity and satisfy an elevated definition of harm to encompass 'relevant harm', the 'serious possibility of harm' and the leading to 'serious adverse impact'.
6. The contamination cannot have been caused by the person who is claiming the relief, so again, consideration should be given to which party undertakes the remediation, *i.e.* would it be more beneficial for the 'contaminator' to sell the land as is, to allow the remediator to claim the relief (although this should be given careful consideration and planning in the light of general anti-avoidance).
7. Qualifying costs include those to remediate land but there are now some new restrictions for reinstatement works.

“ Number of claims submitted over the last 10 years: 700+ ” “ Claims agreed with NO challenge from HMRC: 665 ”

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ROCHE BUSINESS NEWS

2014 marks Roche Associates 10th year in business providing capital allowances consultancy to our many and varied clients. We have been very fortunate to have forged long standing relationships with a wide variety of referral businesses that have generated an excellent range of work for us and in turn, for them.

We are incredibly grateful for all the continued support and goodwill that continues to be generated through our business network and look forward to the next 10 years.



OPPORTUNITY ££££s

Remember... Any tax payer that has bought, built or refurbished commercial property in the last few years (or even many years in the past) should take the time to review their portfolio to make sure the full amount of relief due to them has indeed been claimed – sadly HMRC will not tell you that you have under-claimed relief, and it is not mandatory to make a claim. Expenditure incurred in the past can be claimed now to **generate tax savings in the current year** and in some cases actually create a **tax refund** from HMRC.

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