

Claiming tax back on commercial buildings

As the Westgate redevelopment starts right opposite our Oxford office, the thought of tax allowances for commercial buildings is constantly in our minds. And the timing of this development ties in with changes to the tax system.

From April 2008, the Capital Allowance rules on what counts as plant and machinery have changed. It will make a lot of difference to the amount of tax you can claim back on expenditure on commercial buildings — whether retail, office or industrial.

What counts as plant?

When you buy a commercial building there will be integral equipment in the building. It has always been possible to claim Capital Allowances (which is the special tax depreciation regime) on such equipment which is part of a building. But the rules have changed so that there are more things you can claim for.

We could always claim allowances for the part of a building cost that included lifts, escalators, heating, air-conditioning, sanitary fixtures, hot water systems and special electrical systems for equipment that couldn't just run on mains electricity.

Certain items, though, didn't qualify, even though you might have expected they would. The new rules mean that these items will qualify from April 2008. They include: cold water systems and plumbing, all the electrical systems of a building and its lighting systems as well.

Actually, that could add up to quite a lot on many buildings.

Establishing the value

The problem will be getting the figures.

If you buy a building for your business, how much of the cost is made up of all of this integral equipment? If it is a new building it is

possible that the information can be provided by the builders — and you would do best to try to make sure you get that information if you can. But what happens if it's a second-hand building? Then we'll often have to do some sort of apportionment calculation.

In fact, normally when there is a sale of a commercial building there is an election that the buyer and seller can make to agree between them how much of the price represents integral equipment. After all, if the buyer gets tax relief for buying it, the seller will usually get taxed for selling it. But that election doesn't seem to apply to the "new" items of equipment that previously didn't qualify.

For more information or advice, speak first to your usual Critchleys contact, or contact Gerry Jackson on 01865 261100 or email gjackson@critchleys.co.uk