

Securing cash tax repayments New cash savings from old capital expenditure



It's time to take a fresh look at capital allowances. Recent developments mean that if your organisation has bought, constructed or refurbished buildings or property in the last 15 years, it will almost certainly have understated the level of tax depreciable expenditure and is likely to be sitting on unclaimed cash tax savings.

These may be substantial and, despite common misconceptions, can be released from expenditure in tax periods which are now closed.

With this new perspective, it's possible to revisit your prior tax returns (perhaps dating back several years) and to identify new, often significant, cash savings – from experience this could typically represent an increase in eligible expenditure by up to 40%. Where past tax returns are still open, they can be amended – and where closed, newly identified eligible expenditure can be added to the plant and machinery pools in later periods. Additional tax relief can be obtained and where restating prior year returns, there is potential for cash tax repayments.

For those who have constructed or refurbished property since April 1 2008, there may be additional savings due to changes in tax law which have effectively widened the scope of qualifying spend.

How we can help

Given the current take on a number of specific issues, a retrospective review of capital allowances by our team can identify additional, often significant, qualifying expenditure for your organisation – even where a review has been undertaken in the past. We're currently helping a number of companies of all shapes and sizes obtain this cash boost.

Once we've identified savings, we can manage your claim process from start to finish – from liaising with your team to obtain the raw data to preparation of claim reports and settlement of the claim directly with HMRC. Equally, should you prefer to drive the processes, we're happy to provide you with directional and technical input to help you claim your cash. We're also flexible on our approach to fees and are happy to consider value-based as well as fixed fee arrangements.

Why Deloitte?

Our Tax Depreciation Group comprises specialists in tax, accounting and surveying. We have an exceptional track record across all industry sectors in agreeing claims at the highest supportable level and significant experience in agreeing increased claims for capital allowances with HMRC and the Valuation Office Agency.

We have an exceptional relationship with HMRC at all levels and have even been involved in their working party set up to scope and draft the law changes introduced in April 2008.

We advise clients in many areas including design and implementation of systems and processes to manage capital allowances, integrating capital allowances opportunities with clients' wider tax strategies, transaction and restructuring advice and improving cashflow through alternative capital allowances approaches. We also work closely with our award-winning Deloitte R&D Tax Team to help our client optimise tax savings from capital expenditure.

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Hotel owner

£1million cash gain

We revisited hotel refurbishment expenditure incurred from 2003 to 2006 and reclassified £1.3 million of hotel buildings expenditure to capitalised revenue and £2.9 million of hotel buildings expenditure to plant and machinery.

Not only were the tax deductions accelerated, but a permanent loss of tax relief was avoided. Total tax savings identified were in the region of £1 million.

We managed all aspects of the project working directly with the refurbishment project surveyors, thereby minimising our client's workload.

High Street retail group

£10million cash gain

We carried out a retrospective review of expenditure incurred from 2002 to 2008.

As is common in the retail sector, our client had vastly underclaimed capitalised revenue deductions. Our retrospective review identified additional qualifying expenditure equivalent to a total cash tax saving of £10 million and generated a tax repayment from HMRC.

We went on to develop an automated process for the categorisation of future capital expenditure to maximise allowances.

Care home operator

£240,000 cash gain

We revisited a client's prior year tax returns and identified an underclaim of capital allowances in respect of their acquisition and subsequent refurbishment of a single nursing home.

Our client had made a prior claim for allowances based on its understanding of the tax position for the property from the seller and an analysis of subsequent additions by their core advisors. We were able to secure an uplift of tax relief with HMRC without adversely affecting the seller's tax position and generated cash savings of £240,000.