Going, Going, Gone!

Three of the lesser spotted announcements in the documents released with the 2011 Budget concern capital allowances and could have a major impact from 2012 onwards.

Time limit on capital allowance claims

The Government has indicated that it will issue a consultation document in May 2011 regarding claiming capital allowances on fixtures in commercial property. Currently there is no time limit over which expenditure can be claimed. Whilst it is only possible to amend claims going back two years, it is currently possible to amend the claim say for the year ended 31 December 2009 based on new information about expenditure in 1999. It is likely that this will change.

Early indications are that a two year deadline from the date of purchase will be introduced from April 2012, meaning that all properties bought prior to April 2010 (that have not already submitted a claim) will be disqualified from obtaining tax relief from April 2012. Owners of commercial property are therefore likely to have a fairly short time window until April 2012 to claim tax relief on historic expenditure that may not have been subject to a detailed review.

It might be that you bought or developed a property several years ago and a detailed review of expenditure was not carried out at the time. If you think you might fall into this category please let us know. The amount of tax relief available will depend on the type of property and could be as high as 25% of the purchase or development price.

Abolition of Land Remediation Relief (LRR) and Flat Conversion Allowances (FCAs)

Following a review by the Office of Tax Simplification the Government has announced that it is considering abolishing various tax reliefs including flat conversion allowances and land remediation relief, although probably not until 2013.

Flat conversion allowances (FCAs) provide 100% tax relief on qualifying expenditure in converting unused or underused space above commercial premises into flats. The flats must be available for short-term letting in order to qualify for FCAs. The property in which the flats are situated must have been built before 1980. Please let us know if you would like further details on FCAs.

Land Remediation Relief (LRR) applies to companies only and is a much under utilised relief. Nevertheless it has brought significant tax breaks to a relatively small number of companies.

If your company has a major interest (freehold or a lease of at least seven years) in land or a building that is contaminated by harmful substances that were there when it was purchased then your company could be eligible for 150% tax relief on qualifying remediation expenditure. There is a tax credit available for loss making companies equivalent to 24% of qualifying expenditure. Similarly if a company brings land back into use that has been derelict since April 1998 then the same
tax reliefs apply on certain qualifying costs. If you think your company might be eligible please let us know.

Act now before these tax reliefs are abolished!

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