



## CASE STUDY: CAPITAL ALLOWANCES IN THE PROPERTY SECTOR

Anyone investing in commercial property may be able to make a big tax saving by claiming back the cost of plant and machinery within the premises, using Capital Allowances.

A client of ours recently bought a property for £4.2million, which was part warehouse, part office building. This property generated £350,000 in rental income per annum.

The estimated value of plant and machinery in the building was between £200,000 and £300,000, but after a surveyor attended the property, a claim for Capital Allowances was submitted to HM Revenue & Customs for £680,000.

HM Revenue & Customs agreed a claim of £610,000, thus saving our client £250,000 in tax (this being the 40% tax that would have been payable if the £610,000 claim had not been submitted).

There have been comments in the press recently that the majority of companies and individuals who purchase commercial property for investment or occupation miss out on Capital Allowances.

### WHAT ARE CAPITAL ALLOWANCES?

Relief is given at the highest marginal rate of tax and for an average commercial office building the value of such allowances will vary between 15% and 45% of the acquisition price.

What is even more remarkable is that these allowances do not reduce the base cost of the property for Capital Gains Tax purposes.

For more information, please contact either  
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