

FOCUS ON

# Capital allowances for the retail sector

Capital allowances are a valuable tax relief for the retail sector, but it is not always easy to identify and quantify the costs that qualify. There is a risk that tax relief can be overlooked, especially during a fit out or refurbishment.

## Capital allowances

Capital allowances are available for expenditure on plant and machinery. They can be claimed on things like desks, chairs, shelving, display units, EPOS systems – the normal equipment and fittings that you would expect to see in a retail environment.

The available tax relief does not end there however, and there is a potential to achieve greater savings. It can be easy to miss out on this for a variety of reasons; a deduction may be available for a wider range of categories than you had thought, or you may have difficulty breaking down what you have spent to identify the category under which it may qualify.

## Additional savings

Looking beyond the general plant and machinery allowance, claims can be made for:

- Integral features – parts of a building such as lifts, water and electrical systems (including lighting) and air-conditioning
- Energy saving equipment – 100% allowances are available for certain types of 'green' plant and machinery
- Expenditure on items designed to create ambience in the stores – in some cases a deduction for decorative items and artwork can be claimed
- Thermal insulation
- Asbestos removal

Relief may also be available for the costs of building alterations connected with a fit out or the installation of plant and machinery.

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There is an Annual Allowance that provides 100% relief on an element of eligible costs each year. This applies on a group basis and so needs to be considered carefully to make sure the Allowance is claimed in the right company to maximise the benefits.

Repair costs can be claimed as a deduction against profits outside of the capital allowance regime. The deduction will generally follow the accounting treatment, so it is important to identify these at an early stage and ensure they are accounted for correctly and recognised as early as possible.

### Identifying costs

A shopfit or refurbishment can involve several contractors and give rise to many different costs. Tracking and identifying what has been spent and which reliefs are applicable can be a difficult task.

The costs need to be split accurately to ensure all the available reliefs are claimed. Costs would generally fall into one of several categories, but a detailed analysis will ensure they are properly allocated.

Preliminary costs and professional fees also need to be considered, as allowances can be claimed on an element of these.

HMRC can be approached to agree a basis for splitting the costs where there are fit outs across a number of stores.

### How can we help

We work with you from an early stage to identify and analyse the relevant costs and maximise the reliefs available.

For extensive projects we can speak to HMRC to agree a standard approach based on a sample analysis of stores. This can save time and costs and provides certainty on the tax position.

We can liaise with your existing accountants to ensure the costs are correctly reflected in your financial statements and tax returns.

Claims for historic expenditure may also be possible, and we can review previous expenditure to identify any opportunities.

### Contact us

For further information please contact Alison Conley or your local office.



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