



Purchase of Industrial Building - Apportionment Claim

Purchase in 2005 of a freehold modern single storey industrial unit with 2 storey integral offices situated on an established Leicestershire industrial estate.

Type of Claim

Having established that there were no restrictions on the entitlement to claim, a capital allowances claim was prepared as an apportionment of the purchase price under the provisions of Section 562 CAA 2001.

Additionally the property was eligible for industrial buildings allowances, having established that it was being used within a "qualifying industrial use" as defined by the Capital Allowances Act 2001, and having been constructed in 1993, it still had 13 years of its deemed 25 year industrial life remaining.

Facts

Purchase Price: £2 million

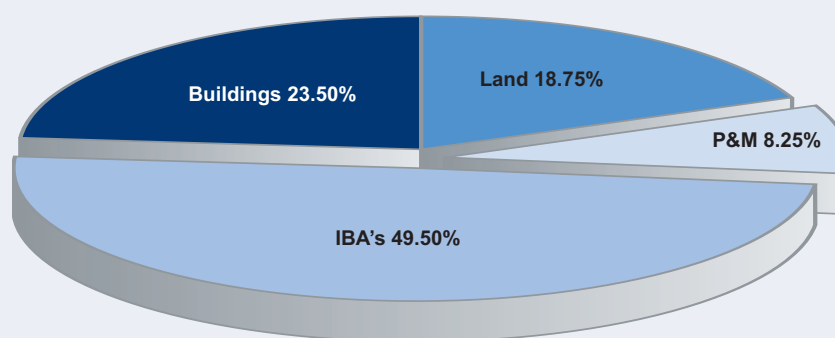
Gross Internal Floor Area: 2,900m²

Site Area: 1.50 acres

Description: Steel framed building with concrete upper floor to offices and concrete staircase. Part brick walls faced externally and part profiled wall cladding under a pitched roof finished with profiled roof cladding. Aluminium double glazed patent glazing to part of front elevation.

Granolithic finished floor to warehouse. Screeded concrete floors to office areas finished with medium quality carpet tiles and part PVC tiling. Walls are finished with plaster and painted with emulsion in office areas. Ceilings are suspended to first floor and plastered and painted to ground floor with acoustic tiles in office areas.

Gas fired central heating with wall mounted radiators to office areas and radiant ceiling mounted heating to warehouse. Other services include hot water, sanitary ware, fire alarm installation, emergency lighting and diesel fuel storage tank.



Capital Allowances Analysis

		Percentage of £2m Purchase Price
Apportionment of expenditure on qualifying machinery and plant	£165,000	8.25%
Apportionment of expenditure qualifying for industrial buildings allowances	£990,000	49.50%
Apportionment of expenditure on land not eligible for capital allowances	£375,000	18.75%
Apportionment of expenditure on buildings not eligible for capital allowances	£470,000	23.50%

Cash Flow

In this case the capital allowances on plant and machinery of £165,000 were available to the taxpayer to offset against tax at 25% per annum on a reducing balance basis.

The industrial buildings allowances of £990,000 were also available over the remaining 13 year period.

The following table sets out the availability of these allowances over the first five years that the property is in the taxpayer's ownership, assuming a 30% corporation tax rate.

	Balance of Plant & Machinery Allowances £	Annual P&M Write-Down at 25% £	IBA Annual Writing-Down Allowance £	Tax Relief to a 30% Taxpayer £
Year 1	165,000	41,250	76,154	35,221
Year 2	123,750	30,938	76,154	32,128
Year 3	92,812	23,203	76,154	29,807
Year 4	69,609	17,402	76,154	28,067
Year 5	52,207	13,052	76,154	26,762

On the assumption that the property remains in the taxpayer's ownership for the 5 year period, the total tax saved will amount to approximately £152,000.

The net initial yield on acquisition was 6.5%, however after a 30% tax liability has been taken into account, this yield is effectively reduced to 4.55%.

Capital allowances relief of £35,221 in the first year alone has the effect of increasing the post tax yield to approximately 6.31%.

For further information or a capital allowances assessment without obligation

Tel: +44 (0)20 8416 0077 or Email: mail@pjb.com

www.pjb.com