



## A Guide to Plant and Machinery in Buildings

Virtually every building will contain an element of plant and machinery on which eligible capital allowances may be claimed. The value however will vary depending upon the building type, specification and size, although this may be significantly restricted if a former owner has previously made a claim (see PJB Datasheet No.1).

### What Qualifies for Capital Allowances?

Plant and machinery including heating and air-conditioning, lifts, wiring to fixed plant, switchgear, emergency lighting, fire alarm installations, sanitary fittings, hot water installation, carpets and removable floor coverings, fittings and furniture, demountable partitioning used for trade

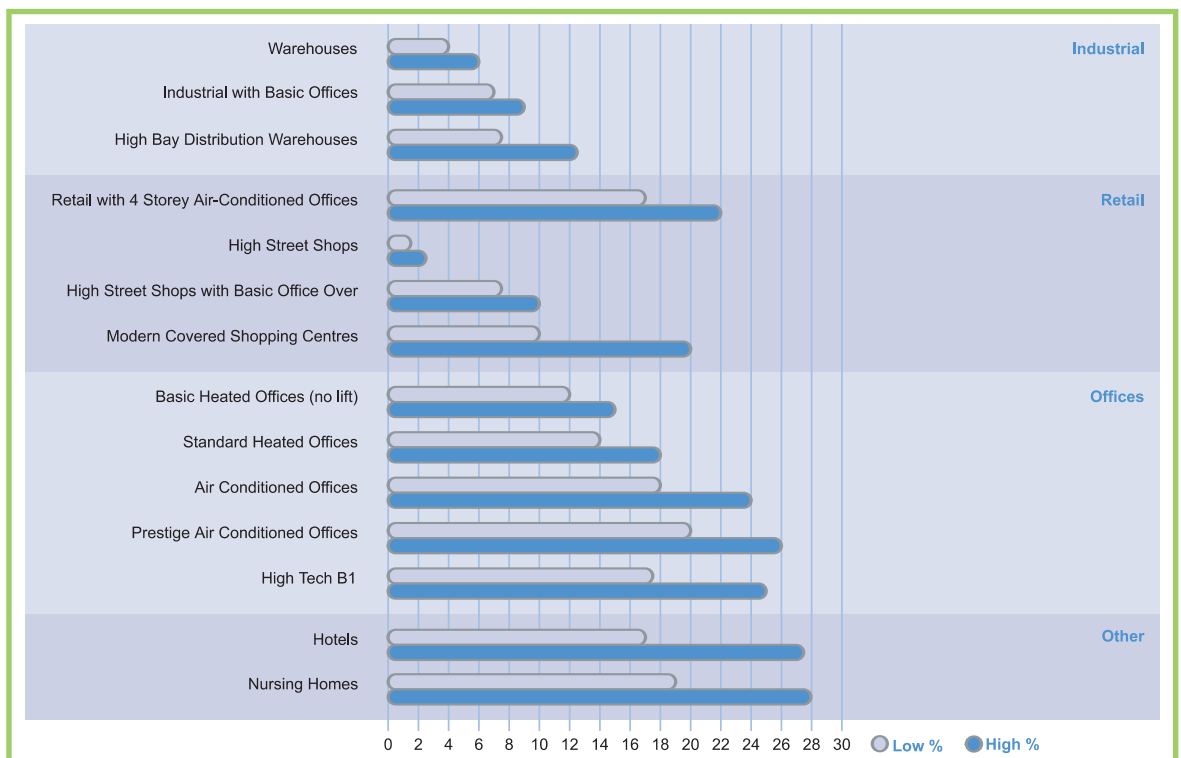
flexibility, fire fighting equipment, mechanical door closers, security equipment, telecommunications installations, trade and information signs, vehicle control equipment, window cleaning equipment and assets used to create 'atmosphere' or 'ambiance' in a hotel, restaurant or public house.

This list is by no means exhaustive but provides a guide to the plant & machinery most commonly found in buildings.

In addition, expenditure incurred on certain other assets including fire safety, thermal insulation and building alterations incidental to the installation of plant and machinery may also be eligible.

### How Much is Plant & Machinery Worth?

As a guide it would be reasonable to assume that the following percentages can be applied to the purchase price of various types of buildings to provide an assessment of the value of qualifying plant & machinery:



As the cost of purchasing a building includes land, the above percentages could vary depending upon geographic location. For example, land could equate to as much as 60% of the purchase price of a Central London property, but as low as 15% of a warehouse building in a provincial semi-rural location.

The percentages set out above are based upon 'average' UK land values of approximately 25% of the purchase price of a building.

For further information or a capital allowances assessment without obligation

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

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The information contained in the DATASHEET is believed to be correct, but there may be errors or omissions for which PJB cannot be responsible. It is therefore essential to take advice on specific issues.

## How is Plant & Machinery Valued in a Purchased Building?

Capital allowances are based upon the expenditure incurred on qualifying plant and machinery. Where this forms part of the purchase price of a building, the Capital Allowances Act 2001, Section 562 provides that the expenditure incurred on plant and machinery will be on a just and reasonable apportionment of the total price paid.

The foregoing percentages apply to an existing property purchased including its land. Percentages of plant & machinery on the construction cost of a new building will be significantly higher, as land does not form part of the cost.

Listed below are some further points to consider in determining whether property investments qualify for valuable capital allowances:-

- ALL buildings contain an element of machinery and plant, which qualify for capital allowance tax relief to a greater or lesser extent.
- Providing the property is held as an investment to derive an assessable income, or held by an owner occupier, the owner will be eligible to enjoy tax relief from capital allowances.
- An occupational tenant may also benefit from capital allowances based on his own expenditure for fitting out a building with qualifying machinery and plant.
- The age of the property or length of ownership does not preclude the making of a capital allowances claim, but its viability will depend upon the type of property and its purchase price.
- Capital allowances are based upon an apportionment of the purchase price of the building, and not on its value or its replacement cost.
- A standard office building may have a qualifying capital allowances content of more than 15% of its purchase price, whilst a sophisticated high specification building might have up to 25% of its price qualifying for capital allowances.
- Even warehouse/industrial units can have a capital allowances content which may be as high as 10% of their purchase price.
- Where the vendor has made a claim for capital allowances, or a previous owner has made a claim on expenditure incurred on or after 24th July 1996, a purchaser's entitlement may be restricted to the disposal value brought into account by the vendor.
- An industrial building may be eligible for Industrial Buildings Allowances (IBA's), but the level of allowances and entitlement will depend upon a number of factors including who owns the relevant interest, when the building was constructed and first came into use and whether the occupational tenants were/are using the building for a qualifying use.
- In an industrial building it is usually advantageous to make a claim for machinery and plant and claim the balance of expenditure as IBA's.

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