



Capital Allowances Claims on Plant and Machinery - The Procedure

The following is a four step guide to ensuring that Wear & Tear Allowances claims on machinery and plant within property acquisitions are properly considered and valued, by adopting a method of assessment that has historically been accepted and agreed by SARS.

Step 1

The Legal Report

Legal research is required to confirm the statutory basis of a purchaser's entitlement to Capital Allowances, including research to ascertain whether:-

- The interest purchased is the interest to which the Allowances attach
- Entitlement to allowances is not restricted by the limiting provisions of sections 11(e)(viii), 12C(4), 23D or 23G.

Step 2

Valuation of Land, Buildings and Plant & Machinery

Once the legal basis for claim has been verified, and it has been established that no restrictions apply, an apportionment (see Datasheet 1) should be undertaken by a specialist with expertise in both property and Capital Allowances case law.

The buildings and plant & machinery are to be valued as at the date of purchase with no adjustment for depreciation. The land is to be valued at market value for a cleared site with zoning for the current building.

The basis of the Wear & Tear Allowances claim is "value", and not necessarily the original cost or current replacement cost. Consideration must also be given to the market value / "arms-length" cost, as at the date of acquisition, of the qualifying assets in determining the correct basis of any wear & tear allowances claim.

Step 3

Write-Off / Depreciation Periods

Once the appropriate value of all qualifying assets has been established, suitable "write-off" periods, that will be acceptable to the Receiver of Revenue, need to be applied to each asset.

Step 4

Agreement with the Receiver of Revenue

A thorough understanding of the relevant legislation and Capital Allowances case law is essential in achieving a maximised claim for wear & tear allowances.

This knowledge must be combined with the experience and expertise necessary to value the land, buildings and qualifying machinery, & plant etc., and to submit an assessment of qualifying expenditure in such a manner that will be acceptable to the Revenue authorities.