

STRUCTURES & BUILDINGS ALLOWANCE



WHAT IS IT?

The SBA allows for capital allowances of 3% on qualifying expenditure incurred on or after 29 October 2018 on the construction of a building or structure in qualifying use.

The allowance is given from the day the qualifying building or structure is brought into use and is pro-rated accordingly when this occurs part-way through a chargeable accounting period.

QUALIFYING EXPENDITURE

Construction includes capital expenditure on repairs and renovation or conversion of the building, whereas previously this expenditure was non-qualifying.

HMRC do not have a definition for a 'building'. However, they state a substantial structure with walls and a roof will qualify as a building.

An item too small to be a building can be classed as a structure, **such as a tool shed along with roads, tennis courts, concrete car park, fences, bunkers, and embankments.**

Professional fees relating to design / construction and capital repairs are also qualifying.

NON-QUALIFYING EXPENDITURE

CERTAIN TYPES OF COSTS WILL NOT BE ELIGIBLE FOR SBA

- Land, land rights, stamp duty and other incidental costs attributable to the acquisition.
- Altering land, including land reclamation, remediation, and landscaping
- Seeking planning permission, including fees and related costs
- Expenditure arising from construction contracts entered prior to 29 October 2018

OTHER RULES TO QUALIFY?

The person incurring the expenditure must have a relevant interest in the building.

The first use of the building, after the qualifying expenditure, must be for non-residential purposes. No allowances will be available if the building or structure is used for residential purposes, holiday, or overnight accommodation.

HOW TO CLAIM SBA

SBA must be claimed on your tax return.

It is important to keep an allowance statement detailing the work as part of the business records. There is no requirement to disclose the statement to HMRC, however we would routinely attach a copy to the CT submission to support the claim made.

The allowance statement is a written statement detailing the date of the earliest written contract for the construction, amount of qualifying expenditure, date first brought into non-residential use and any other relevant information.

WHAT HAPPENS WHEN THE BUILDING OR STRUCTURE IS SOLD?

When the qualifying building or structure is sold, there is no balancing adjustment. The remaining allowances are passed over to the purchaser.

The SBAs that have been claimed up to the point of disposal by the seller are added as deemed consideration for the purposes of calculating the capital gain or loss on the building, effectively acting as a claw back of the allowances claimed.

For further advice on claiming Structures and Buildings Allowance, please contact your usual Moore adviser.



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