

INTERNAL TRAINING · BUSINESS DEVELOPMENT

Capital Allowances

BD Training Manual

What capital allowances are, how we find them in property purchases, and how to qualify a lead with confidence.

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Start here

This manual takes you from zero to confident on capital allowances. You don't need a tax background. By the end you'll be able to explain what we do in plain English, recognise a good lead, ask the right questions, collect the right documents, and know when to hand over to the technical team.

Part A · The basics

What capital allowances are, what qualifies, and what a claim is worth.

Part B · Acquisition claims

Our core product: why a buyer can claim, and the four routes we use.

Part C · How a claim is built

Floor area, site area, land value, the cost model, the formula and the report.

Part D · BD playbook

Who to target, what to ask, and how to handle objections.

The Reference section at the back has a glossary, a one-page quick reference card and a knowledge check.

Look out for these boxes

IN PLAIN ENGLISH

The idea behind a rule, without the jargon.

BD TIP

Practical advice for your calls and meetings.

WATCH OUT

Things that can stop or shrink a claim.

SAY IT LIKE THIS

Wording you can use with clients.

THE WHOLE MANUAL IN 60 SECONDS

1. Businesses can't deduct depreciation for tax. **Capital allowances** are the tax system's replacement: a deduction for capital spending on assets used in the business.
2. Land and the building's structure don't qualify. The **plant and machinery fixed into the building** does: wiring and lighting, heating and air conditioning, water systems, lifts, toilets and basins, kitchens, fire alarms, security and data systems.
3. When a property is bought, part of the price pays for those fixtures. Nobody issues an invoice for them, so that part has to be worked out. **That's our job.**
4. We work it out with a just and reasonable apportionment under the Capital Allowances Act 2001: **qualifying expenditure = $P \times A \div (A + B + C)$** .
5. Since April 2014, a buyer usually gets nothing for fixtures a previous owner could have claimed, unless that owner pooled them and a **section 198 election** fixed a value. So we focus on purchases where that rule doesn't bite.
6. Our **four routes**: bought before April 2012; bought April 2012 to March 2014 with no past claim; no previous owner was ever entitled to claim (homes, councils, charities, pension schemes); and electrics, lighting and cold water installed before April 2008.
7. The claim goes in the client's **tax return**, for the current year or an earlier year that's still open. For companies, the window closes 12 months after the return's filing date.

CORRECT AT 25 OCTOBER 2026

Tax rates and rules change, usually at Budgets. If you're quoting a rate, a date or a deadline to a client, check it with the technical team first.

PART A

The basics

What capital allowances are, what qualifies, how relief is given and what a claim is worth to a client.

A1 What capital allowances are

When a business buys something it will use for years (a machine, a van, a heating system) it can't deduct the cost from its profits in one go, the way it deducts wages or rent. In the accounts, the cost is spread out as depreciation. For tax, HMRC ignores depreciation: it is added back when the taxable profit is worked out.

Capital allowances are what the tax system gives instead. They are a deduction from taxable profits for capital spending on qualifying assets, set out in the Capital Allowances Act 2001 (CAA 2001).

IN PLAIN ENGLISH

Every £1 of capital allowances takes £1 off the profit the client pays tax on. If the client pays corporation tax at 25%, £100,000 of qualifying expenditure is worth up to £25,000 of tax.

Who can claim

- The person who incurred the capital expenditure and owns the asset. For fixtures, that is the person with the interest in the land who paid for them, usually the freeholder or a leaseholder.
- They must be within the charge to UK tax: a company paying corporation tax, or an individual or partnership paying income tax.
- They must use the asset in a **qualifying activity** (CAA 2001 s.15): a trade or profession, or a property letting business. Commercial lettings qualify. In residential lettings, items for use in a dwelling-house are excluded (s.35).

Who gets no benefit

- **Bodies outside the charge to tax:** councils and other public bodies, charities, and pension schemes (including SIPP and SSASs). There's no tax to save, although they make very good sellers (see B8).
- **Property developers and dealers** whose buildings are trading stock. Stock isn't a capital asset.
- **Residential landlords**, for items in let houses and flats.

Capital or revenue?

	Revenue expenditure	Capital expenditure
What it is	Day-to-day running costs: wages, rent, utilities, insurance, repairs	Buying, building or improving long-term assets: property, machinery, vehicles, new building systems
Tax treatment	Deducted in full from profits in the year it is spent	No deduction, except through capital allowances, and only for qualifying assets (never land, and not most of the building itself)
Our work	Not our product	Our product: we find the qualifying part of property purchases and building projects

A2 Land, structure and fixtures

Every property is made up of three things. Only one of them qualifies for plant and machinery allowances.

Land

The site itself, including yards, gardens and car parking areas.

Never qualifies

Structure

Foundations, frame, walls, floors, roof, ceilings, stairs, windows, doors and finishes. Excluded from plant by CAA 2001 s.21 and s.22.

Not plant (new construction can get SBA, see A5)

Fixtures

Plant and machinery installed in the building so that it becomes part of it: electrics and lighting, heating, air conditioning, water, lifts, sanitaryware, kitchens, fire, security and data systems.

Qualifies: this is what we claim

The flip test

Picture turning the building upside down and giving it a good shake.

Falls out

Furniture, computers, stock, kettles, free-standing equipment.

Loose items (chattels). They can be plant too, but they're bought and claimed separately. They're not part of our fixtures claim.

Stays put and does a job

Lights, wiring, boilers, radiators, air conditioning, pipework, toilets, lifts, fire alarms, CCTV.

Fixtures. This is what we claim.

Stays put and is the building

Walls, floors, roof, stairs, windows, doors.

Structure. It doesn't qualify as plant.

IN PLAIN ENGLISH

A **fixture** is plant or machinery that has been installed or fixed in or to a building so that it becomes part of the building (CAA 2001 s.173). The courts have long described **plant** as the apparatus a business uses to carry on its activity, as opposed to the premises the activity is carried on in (*Yarmouth v France*, 1887).

BD TIP

If you're not sure whether something is a fixture or part of the structure, describe it to the technical team rather than guessing. The line between plant and structure has been argued in the courts for well over a century, and the technical team knows where HMRC draws it.

WATCH OUT

Not everything in a building belongs to the owner. Tenants and operators often install their own fixtures and equipment, such as stage lighting, bar fridges or production machinery. Our acquisition valuation covers the fixtures the client bought. Tenant-installed items are left out.

A3 What counts as a fixture

Fixtures fall into two pools, which get relief at different speeds (A5). You don't need to memorise every item, but you should recognise the main systems when you walk round a building.

System	Typical items	Pool
INTEGRAL FEATURES		
Electrical systems, including lighting	Mains connection, distribution boards, wiring, sockets, light fittings, emergency and external lighting	Special rate
Cold water systems	Mains connection, tanks, pumps, pipework	Special rate
Heating, hot water and air systems	Boilers, radiators, gas supply, hot water systems, powered ventilation, air conditioning, air cooling and purification	Special rate
Lifts, escalators and moving walkways	Passenger and goods lifts	Special rate
External solar shading	Fixed external shading systems	Special rate
OTHER FIXTURES		
Sanitary fittings	WCs, basins, urinals, showers and the waste pipes from them	Main rate
Kitchen and catering	Fixed catering equipment and kitchen fittings	Main rate
Fire protection	Fire alarms, sprinklers, hose reels and other fire-fighting installations	Main rate
Security	Intruder alarms, CCTV, access control, door entry, panic alarms	Main rate
Communications	Telephone and data cabling, public address, intercom, audio-visual systems	Main rate
Fittings	Fixed furniture and fittings, carpets, entrance matting, signage, automatic and mechanical doors, window locks and stays, hoists, vehicle barriers and gates	Main rate
NOT PLANT		
Structure and finishes	Foundations, frame, walls, floors, ceilings, roof, stairs, the windows and doors themselves, decoration, roads and car parks	Not plant

The special rate pool also takes thermal insulation added to an existing building, long-life assets and solar panels. The schedule from a real report is in C7.

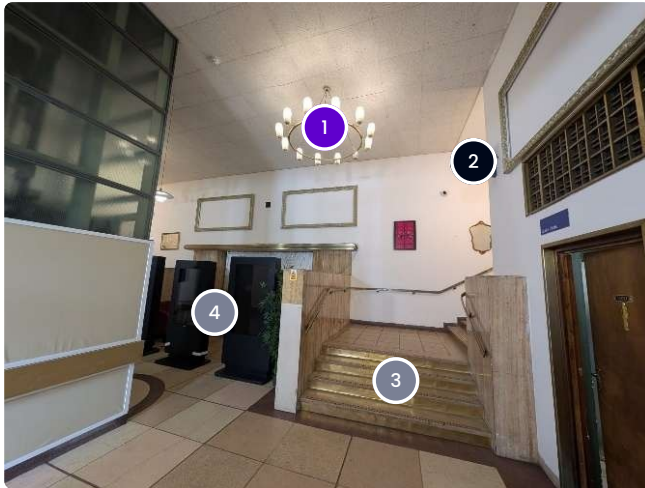
IN PLAIN ENGLISH

Integral features (CAA 2001 s.33A) are the big building services: electrics and lighting, cold water, heating and hot water, air systems and lifts. They go to the special rate pool. Almost everything else that's fixed in and does a job goes to the main rate pool.

A4 Spot the fixtures: photographs from an inspection

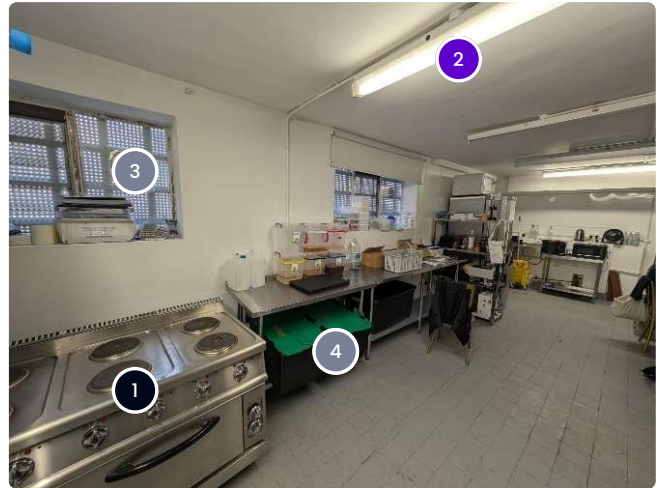
These photographs come from the inspection of a **1930s civic hall in London**, which we use as a case study in Parts B and C. The pins show how the technical team reads a room.

S special rate pool (integral feature) **M** main rate pool **X** not in the claim (structure or loose item) **?** check who owns it



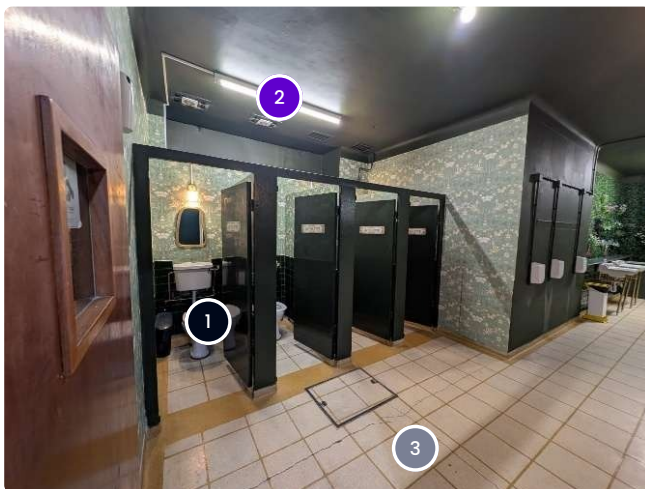
Entrance foyer

- 1 Chandelier and light fittings** · lighting system, special rate pool
- 2 CCTV camera** · security system, main rate pool
- 3 Staircase, floor and walls** · structure, not plant
- 4 Free-standing display stands** · loose item, not in the fixtures claim



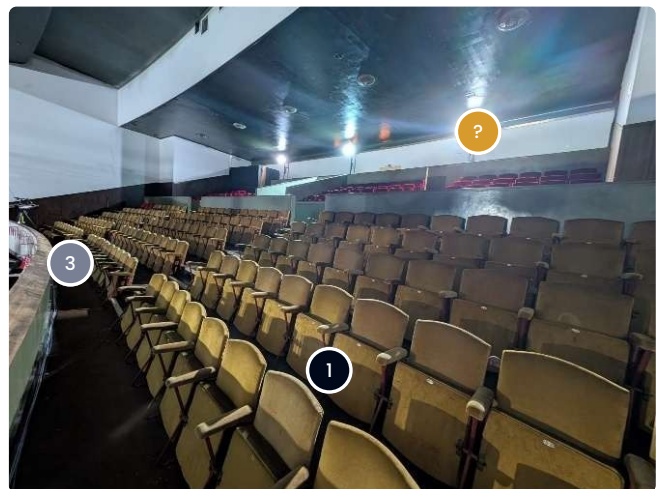
Commercial kitchen

- 1 Commercial cooking range** · catering equipment, main rate pool
- 2 Strip lighting** · lighting system, special rate pool
- 3 Windows** · structure, not plant
- 4 Crates and loose kitchen equipment** · loose item, not in the fixtures claim



Washrooms

- 1 WCs, cisterns and basins** · sanitary fittings, main rate pool
- 2 Strip lighting** · lighting system, special rate pool
- 3 Floor tiles and wall finishes** · finishes, not plant



Main hall from the balcony

- 1 Fixed tiered seating** · fixed furniture and fittings, main rate pool
- 2 Stage spotlights** · lighting is plant, but check who installed it, because operator equipment is left out
- 3 Balcony front, ceiling and walls** · structure, not plant

BD TIP

When a client sends photographs, ask for wide shots of every room plus close-ups of plant rooms, boilers, distribution boards, kitchens, washrooms and lifts. Photograph the floor plans too. Good photographs save a lot of questions later.

A5 Pools, rates and allowances

Qualifying expenditure gets relief in one of two ways: all at once through an upfront allowance, or gradually through writing down allowances on a pool.

Upfront allowances

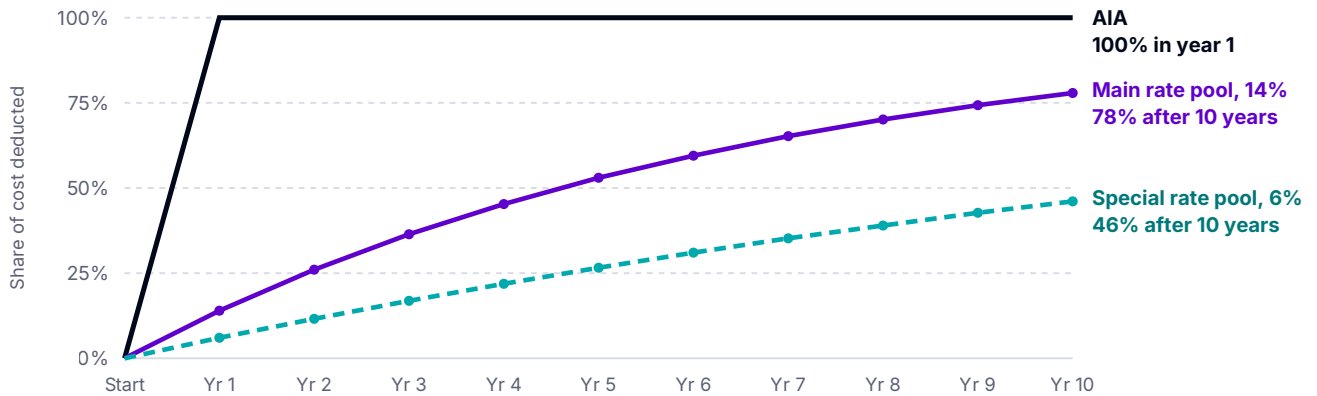
Allowance	Relief	Who and what	On acquisition claims?
Annual investment allowance (AIA)	100% of the first £1 million a year	Most plant and machinery, including integral features and second-hand fixtures bought with a building. Not cars. A group of companies shares one £1 million. Not available to trusts or mixed partnerships, or on purchases from connected sellers.	Yes but only in the accounting period of the purchase
Full expensing	100%, no cap	Companies only. New and unused main rate plant.	No second-hand fixtures don't qualify. Used on refurbishments and fit-outs.
50% first-year allowance	50% in year one	Companies only. New and unused special rate plant.	No refurbishments only
40% first-year allowance	40% in year one	Expenditure from 1 January 2026. All businesses, including sole traders, partnerships and leasing businesses. New and unused main rate plant; not cars or second-hand assets.	No refurbishments only

Writing down allowances and SBA

Pool or allowance	Rate	What goes in
Main rate pool	14% of the balance each year (18% before April 2026)	Fixtures and other plant that isn't special rate
Special rate pool	6% of the balance each year	Integral features (s.33A), long-life assets, thermal insulation, solar panels
Structures and buildings allowance (SBA)	3% of cost a year, straight line, over 33½ years	Construction, renovation or conversion of non-residential buildings under contracts from 29 October 2018

Writing down allowances work on a reducing balance: each year's allowance is a percentage of what's left in the pool. The 14% main rate applies from 1 April 2026 for companies and 6 April 2026 for income tax; accounting periods that span the change use a blended (hybrid) rate.

How quickly £100,000 is relieved



IN PLAIN ENGLISH

Special rate items are slow to relieve through writing down allowances: after ten years only about 46% has been deducted. That's why the AIA matters so much on a purchase. If it's available in the period of purchase, the whole claim can be deducted in one year.

SBA IS DIFFERENT

SBA covers the **structure**, not the fixtures. A buyer can take over the seller's SBA for the rest of the 33½ years, but only with a copy of the allowance statement; without it, the buyer's SBA is nil. SBA not claimed for a year is lost for good.

WHEN YOUR CLIENT SELLS LATER

When a client who has pooled fixtures sells the building, the buyer will want a s.198 election to fix their value (B2). The elected figure becomes the client's disposal value: a high figure can claw back allowances already given (a balancing charge), while a low figure keeps them. Clients should involve their adviser before agreeing the capital allowances terms of any sale.

A6 From allowances to a tax saving

Our reports identify qualifying expenditure. They don't calculate a tax refund, because the saving depends on the client's profits, tax rate, other claims and timing, and the client's accountant works that out. You should still understand the arithmetic.

What £100,000 of qualifying expenditure can be worth

Client	Tax rate	Maximum tax value
Company with profits over £250,000	Corporation tax main rate, 25%	£25,000
Company with profits between £50,000 and £250,000	Marginal relief: effective 26.5% on profits in the band	up to £26,500
Company with profits up to £50,000	Small profits rate, 19%	£19,000
Individual or partner paying higher rate	Income tax, 40%	£40,000
Individual or partner paying additional rate	Income tax, 45%	£45,000

These are totals over time. How quickly the relief arrives depends on which allowance applies (A5). Income tax rates on property income are due to rise by 2 percentage points from April 2027 (to 22%, 42% and 47%).

Worked illustration: the civic hall case study

ACQUISITION CONSIDERATION

£2,603,056

Civic hall case study

APPORTIONED QUALIFYING EXPENDITURE

£600,316

Main £206,574 · Special £393,742

ILLUSTRATION

25%

Company paying the main rate of corporation tax

If...	Deduction	Tax saved at 25%
The AIA is available in the period of purchase	£600,316 in that period	up to £150,079
The AIA isn't available, so writing down allowances apply (current rates)	Main 14% × £206,574 = £28,920 Special 6% × £393,742 = £23,625 Year one: £52,545 , then more each year	about £13,136 in year one, with relief continuing

Illustration only. The real outcome depends on the client's profits, rate, AIA headroom and accounting periods.

WATCH OUT

Never promise a refund figure or a date. Say what we do: we identify the qualifying expenditure, and the client's accountant claims it in the tax return.

NO PROFITS THIS YEAR?

Allowances can create or increase a loss that's carried forward against future profits, so the claim still has value.

PART B

Acquisition claims

Our core product: claims for the fixtures a client bought as part of a property purchase. Why a buyer can claim, the rules that usually stop them, and the four routes we use.

B1 A purchase price pays for three things

When a client buys a property, they pay one price. For tax, that price pays for three different things: the **land**, the **building structure** and the **fixtures**. Nobody issues an invoice for the fixtures, so the share of the price that paid for them has to be reconstructed.

OUR JOB IN ONE SENTENCE

We carry out a theoretical reconstruction: what the land is worth, what the structure would cost to replace, and what the fixtures would cost to replace. Those three figures let us split the price in a way that is **just and reasonable**, as CAA 2001 s.562 requires.

How the civic hall's price was split

Acquisition consideration £2,603,056



The four numbers behind every acquisition claim

	What it is	Where it comes from
P	What the client paid	The completion statement: price plus stamp duty land tax (SDLT) and acquisition fees such as legal and survey costs. VAT is left out where the client can recover it.
A	Replacement cost of the fixtures	The cost model: rates per square metre × floor area (C3, C6)
B	Replacement cost of the rest of the building	The cost model: rates per square metre × floor area (C3, C6)
C	Value of the land	Land rate × site area, from comparable evidence (C4, C5)

WATCH OUT

A figure for “fixtures and fittings” written into a sale contract doesn’t bind HMRC unless it is a valid section 198 election. Otherwise the law requires a just and reasonable apportionment.

B2 Why the seller's history decides the claim

Tax relief on a fixture is meant to be given once, and never for more than it originally cost. So when a building changes hands, the law looks back at whether a previous owner was entitled to claim, and what they did.

Section 198 elections

A section 198 election (section 199 for some leasehold transactions) is a joint election by the seller and the buyer that fixes the value of the fixtures for tax. It must be made within **two years of completion**, it can't be undone, and it binds HMRC. The figure can be anything from £1 up to the seller's original cost, and no more than the price paid. Sellers often push for a low figure, such as £1 or £2, so they don't have to give back allowances they've claimed. The buyer then inherits almost nothing for those fixtures.

SECTION 198 ISN'T NEW

The election has been in CAA 2001 since the Act began, and a similar election existed before that. What changed in 2012 and 2014 is that, where a seller was entitled to claim, an election (or a tribunal ruling) became effectively compulsory for the buyer to claim anything at all.

The 2012 and 2014 rules: CAA 2001 s.187A

Fixed value requirement

From 1 April 2012 (6 April 2012 for income tax)

If a past owner pooled the fixtures and must bring a disposal value into account, that value must be fixed by a s.198 election, or by an application to the First-tier Tribunal, within two years of the sale. If it isn't, the buyer's expenditure on those fixtures is treated as nil.

Pooling requirement

Purchases from 1 April 2014 (6 April 2014 for income tax)

If a past owner was entitled to claim on the fixtures, they must have pooled the expenditure (entered it in a capital allowances computation) before the sale. If they didn't, the buyer can't claim on those fixtures, and nor can any later owner.

The disposal value cap: CAA 2001 s.185

Where a past owner claimed allowances on a fixture, a later buyer's claim is capped at the disposal value that past owner brought into account. The cap applies to disposals since 24 July 1996, and it reaches through a later owner who is outside the charge to tax. HMRC's own example has a charity in the middle of the chain, and the cap still applies (HMRC Capital Allowances Manual CA26474).

THE KEY THAT UNLOCKS OUR WORK

The s.187A requirements apply **only where a past owner was entitled to claim allowances on the fixtures**. If no past owner was ever entitled, or the purchase pre-dates the rules, the buyer claims a just and reasonable apportionment under s.562, with no s.198 election needed.

TWO BD OPPORTUNITIES

Recent purchases: if a client completed less than two years ago from a taxpaying seller, there may still be time to agree a s.198 election or apply to the tribunal. Refer it the same day.

Sellers: a seller that was entitled but never pooled can pool before it sells. That protects its buyer's claim and can be worth money in the negotiation.

B3 Key dates

24 July 1996	●	Disposal value cap on fixtures (now CAA 2001 s.185): a buyer can't claim more than a previous claimant's disposal value.
2001	●	Capital Allowances Act 2001 , including s.198 and s.199 elections.
April 2008	●	Integral features (s.33A): general electrics, lighting and cold water become claimable for the first time. Basis of Route 4.
April 2012	●	Fixed value requirement (s.187A). Purchases before this date use Route 1.
April 2014	●	Pooling requirement (s.187A). Purchases between April 2012 and March 2014 use Route 2.
29 October 2018	●	Structures and buildings allowance for non-residential construction (3% a year from April 2020).
April 2023	●	Full expensing for companies on new and unused main rate plant.
April 2025	●	Furnished holiday lettings regime abolished (see B6).
1 January 2026	●	40% first-year allowance on new and unused main rate plant, for all businesses.
April 2026	●	Main rate writing down allowance cut to 14% (from 18%).

April dates are 1 April for companies (corporation tax) and 6 April for individuals and partnerships (income tax).

The rules in five quick scenarios

Scenario	Result for the buyer
Bought in 2020. The seller, a company, claimed on the fixtures and signed a s.198 election at £2.	The claim on those fixtures is £2.
Bought in 2020. The seller, a company, was entitled to claim but never pooled the fixtures.	Nil for those fixtures, for this buyer and every later owner. Pre-2008 electrics and cold water may still qualify (Route 4).
Bought in 2020. The seller pooled the fixtures, but no election or tribunal application was made within two years.	Nil for those fixtures.
Bought in 2020 from a council; no earlier owner claimed.	Full apportionment under s.562, with no election needed (Route 3).
Bought in 2010 from a company that never claimed.	s.187A doesn't apply: full apportionment (Route 1), after the s.185 check.

B4 The four routes to a claim

Every acquisition report we issue rests on exactly **one** entitlement route, and the route must match the acquisition date. These are the four we use. They mirror Section 3 of our report.

ROUTE 1

Bought before 1 April 2012

WHY IT WORKS

The pooling and fixed value requirements in s.187A, introduced by Finance Act 2012, don't apply.

WHAT WE CLAIM

A full fixtures apportionment.

WHAT WE CHECK

s.185: if a past owner claimed, the claim is capped at their disposal value. The client still owns the property and hasn't claimed before.

ROUTE 2

Bought 1 April 2012 to 31 March 2014, no past claim

WHY IT WORKS

The pooling requirement only applies to purchases from April 2014. The fixed value requirement only bites on fixtures a past owner pooled.

WHAT WE CLAIM

Every fixture no past owner pooled. The test works fixture by fixture: if a seller pooled, say, its air conditioning, only that item is affected.

WHAT WE CHECK

Who the seller was and what it pooled: replies to enquiries, any s.198 election.

ROUTE 3

No past owner was entitled to claim

WHY IT WORKS

The property was a private residence or residential accommodation, or every owner was outside the charge to tax (councils, public bodies, charities, pension schemes). With no entitled past owner, s.187A doesn't apply and no s.198 election is needed.

WHAT WE CLAIM

A full fixtures apportionment.

WHAT WE CHECK

The ownership chain; earlier owners (s.185); the client's use qualifies and isn't a dwelling-house let (s.35).

ROUTE 4

Pre-April 2008 integral features

WHY IT WORKS

General electrical, lighting and cold water installations weren't plant before April 2008, so no owner could ever claim them and s.187A can't apply to them.

WHAT WE CLAIM

General electrical, lighting and cold water installations only.

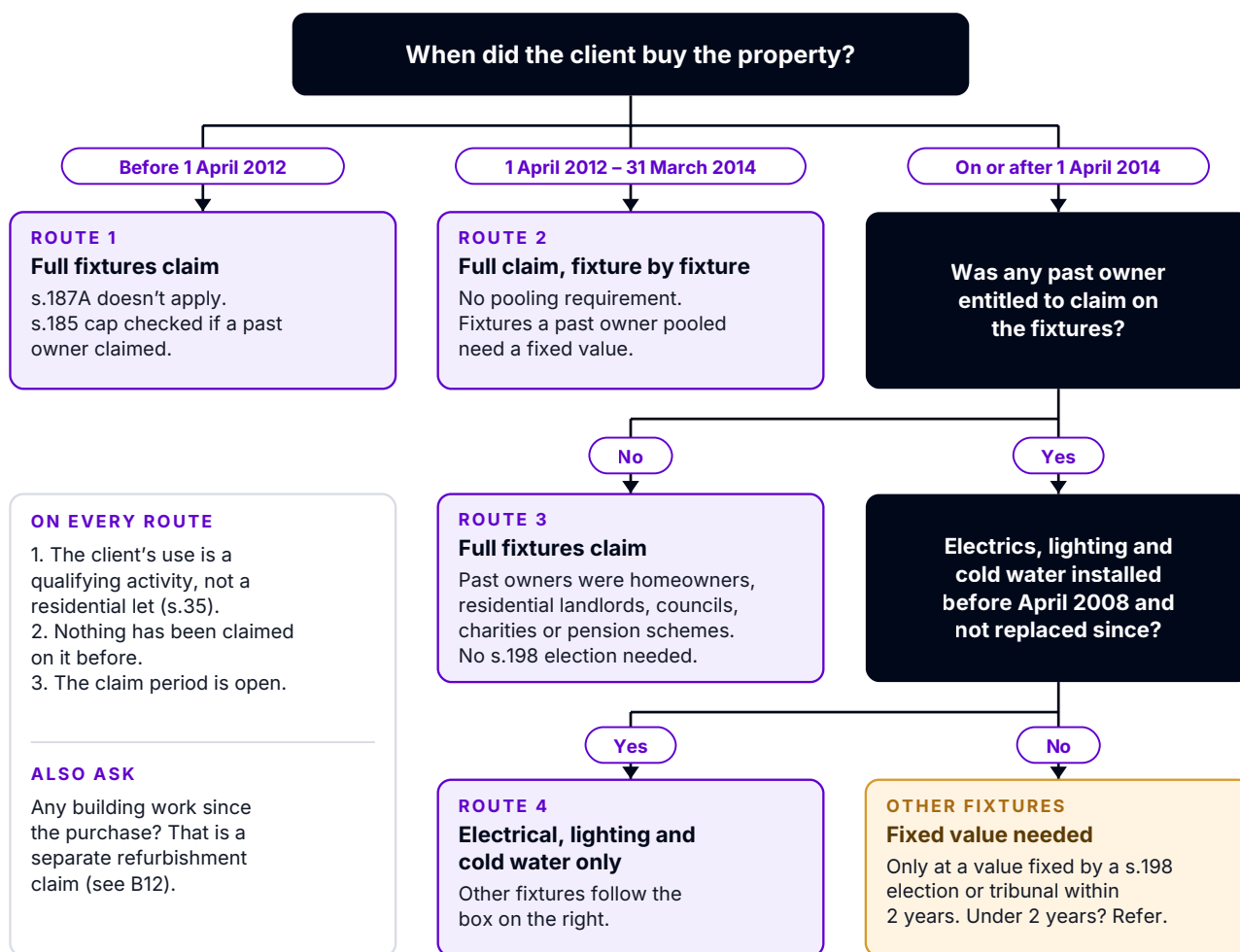
WHAT WE CHECK

The installations date from before April 2008 and haven't been replaced or upgraded since.

How the claim types you'll hear about map to the routes

Claim type	Route
Furnished holiday let bought from a homeowner (let before April 2025)	Route 3 · see B6
Care home or assisted living in a former house	Route 3 · see B7
Bought from a council, NHS body, charity or pension scheme	Route 3 · see B8
"Integral features claim": seller owned it since before April 2008	Route 4 · see B9
Bought before April 2014 and never claimed	Routes 1 and 2 · see B10
Building work since the purchase	Refurbishment claim · see B12

Choosing the route



Dates shown are for companies. For individuals and partnerships, read 6 April for 1 April.

BD TIP

You don't have to choose the route yourself. Your job is to get the facts the decision tree needs: the purchase date, who the seller was, what the property was used for before, what it's used for now, and whether any building work has been done. The technical team confirms the route from the evidence.

Try it: which route?

The lead	Likely route
A dental group bought a Victorian house in 2021 from the family who lived there, and converted it into a surgery.	Route 3: the homeowner was never entitled to claim.
A manufacturer bought its factory in 2009 and has never claimed.	Route 1, after the s.185 check.
An investor bought a retail unit in June 2013 from a seller who never claimed.	Route 2.
A restaurant group bought a former council library in 2023.	Route 3: a local authority seller.
A company bought a 1990s office in 2019 from a property investment company. The electrics are original.	Route 4 for the electrics, lighting and cold water. Other fixtures need the seller's pooling and a fixed value.

B5 Former homes turned into businesses

A homeowner can't claim capital allowances, because living in a house isn't a qualifying activity. A residential landlord can't claim for fixtures in a dwelling-house either (CAA 2001 s.35). So when a business buys a former house, no past owner was entitled to claim, and the buyer claims the fixtures through a s.562 apportionment. That's **Route 3**.

The buyer's own use must qualify. Good examples: hotels, guest houses and B&Bs run as a trade; care and nursing homes; children's nurseries; dental and medical practices; offices; restaurants and wedding venues. HMRC accepts that nursing homes and dentist surgeries aren't dwelling-houses even when they are in what used to be private houses (CA11520).

WATCH OUT

If the buyer lets the property as somebody's home (to residential tenants, as a house in multiple occupation, or as a holiday let from April 2025), s.35 blocks the buyer's claim too.

Questions to ask

- What was the property before you bought it? Did the seller live there, or let it to residential tenants?
- What do you use it for now, and who runs it?
- When did you buy it, what did you pay, and do you still own it?
- Have you done any building work since? (That may be a second claim: B12.)

B6 Furnished holiday lettings: what changed in 2025

Until April 2025, furnished holiday lettings (FHLs) had their own tax regime and s.35 didn't apply to them. Buying a former home and running it as an FHL was a classic Route 3 claim.

The FHL regime was **abolished from 1 April 2025 for companies and 6 April 2025 for individuals**. Holiday lets are now taxed like other residential lets: no capital allowances on new expenditure, with replacement of domestic items relief instead. FHL businesses that already had a capital allowances pool carry on claiming writing down allowances on it.

What's left for us

- **Historic claims only.** The property must have been let as an FHL before the abolition date.
- The claim must go into a return for a period up to the abolition date that is still open. Individuals can amend their 2024/25 return until **31 January 2027**. For a company, the window for its last FHL period closes 12 months after that period's filing date.
- Once the expenditure is pooled, the pool carries on getting writing down allowances.

EVERY FHL LEAD IS URGENT

Refer it to the technical team the same day, with the purchase date, the seller and the dates it was let.

NOT EVERY SHORT LET IS AN FHL

Accommodation run as a genuine hotel-type trade, with services, isn't a dwelling-house in HMRC's view (CA11520). That is a different conversation from an FHL, so refer it.

B7 Care homes, assisted living and supported housing

Care settings sit on a spectrum, and HMRC's guidance on what is a dwelling-house (CA11520) decides whether a claim is possible. Check what the building actually is before you promise anything.

Setting	HMRC's view	Claim?
Residential care home or nursing home	Not a dwelling-house	Yes Route 3 if bought from a homeowner
Care home let to an operator	Not a dwelling-house	Yes for the landlord
Supported housing	Usually a dwelling-house	Usually no
Specialised supported housing	May not be a dwelling-house where a high level of care means residents have very little privacy	Case by case refer
Sheltered accommodation	Typically self-contained flats or bungalows where residents live independently with on-call support	Usually no refer

GOOD QUALIFYING QUESTIONS

Is the home registered to provide personal care or nursing? Do residents have self-contained flats with their own kitchens? Who runs it, and who owns the building? What was the building before it became a care setting?

WATCH OUT

If the client bought the care home from another operator on or after 1 April 2014, that operator was entitled to claim, so s.187A applies. The claim then usually narrows to Route 4 unless the seller pooled and a s.198 election fixed a value.

B8 Buying from councils, charities and pension schemes

Bodies outside the charge to tax can't claim capital allowances, so they can't pool expenditure and can't enter into a s.198 election. When they sell, s.187A doesn't apply (provided no earlier owner in the chain claimed), and the buyer claims a full apportionment. That's **Route 3**.

- **Local authorities:** town and civic halls, libraries, depots, offices, community buildings.
- **Other public bodies:** government departments, police and fire authorities, NHS bodies.
- **Charities.**
- **Pension schemes,** including SIPPs and SSASs, often holding property through a trustee company.

LOOK BACK ALONG THE CHAIN

An exempt seller doesn't wipe out a cap from an earlier owner who claimed (s.185, CA26474). The technical team checks the title history back as far as the evidence goes.

CASE STUDY · ROUTE 3

A 1930s civic hall in London



The bar servery, with fixed counters and refrigeration



The entrance foyer and main stair

The ownership chain, from HM Land Registry



Property	1930s former festival hall with two principal halls over five floors. Gross floor area 3,869 m ² ; site area 0.18 hectares; freehold.
Purchase	Completed in January 2024. Price £2,475,000, plus SDLT of £113,250 and acquisition fees of £14,806: acquisition consideration £2,603,056 .
Route	Route 3. No owner in the chain was entitled to claim, so no restriction applied under s.185, s.187A or s.187B. The sale contract was silent on capital allowances, and no s.198 election was needed.
Valuation	A £2,168,082; B £6,326,038; C £907,000 from comparable land sales in the local area (C5 and C7).
Period of purchase	Year ended 30 June 2024: filing date 30 June 2025, open for amendment until 30 June 2026.

ACQUISITION
CONSIDERATION

£2,603,056

QUALIFYING EXPENDITURE

£600,316

23% of the price

MAIN RATE POOL

£206,574

SPECIAL RATE POOL

£393,742

WHY IT WORKS

Every owner in the chain was a local authority, outside the charge to tax, so no past owner was ever entitled to claim. s.187A didn't apply, no s.198 election was needed, and there was no earlier claimant for s.185 to cap.

B9 Pre-April 2008 integral features

Before April 2008, general wiring, lighting and cold water pipework were treated as part of the building. From 1 April 2008 (6 April 2008 for income tax) they became **integral features** (CAA 2001 s.33A), but only for expenditure incurred from that date.

So if those installations were put in before April 2008, nobody could ever claim them. s.187A can't apply to them, and a buyer can claim them through a s.562 apportionment even when the seller was a taxpayer who claimed on everything else. That's **Route 4**.

In the claim

General power and lighting installations.
Cold water systems.

Out of the claim

Heating, air conditioning, hot water, lifts, sanitaryware, fire alarms and other fixtures. These were plant before 2008, so the seller could have claimed them and the 2012 and 2014 rules apply.

HOW BIG IS A ROUTE 4 CLAIM?

On the civic hall figures, the general power and lighting (£124,838) and cold water (£25,355) lines alone come to £150,193, about a quarter of the full £600,316. Route 4 claims are smaller than full claims, but very often still worth having.

QUESTIONS TO ASK

When did the seller buy or build the property? Has it been rewired, had new lighting, or had its water system replaced since April 2008? (Newer installations could have been claimed by whoever paid for them, so they are treated like any other fixture.) Did you sign a s.198 election when you bought it?

B10 Historic purchases

Unclaimed capital allowances don't expire while the client still owns the property and uses it in the business. Fixtures bought years ago can be pooled now and claimed in the current period, just not with the AIA, which only applies in the period of purchase.

Route 1: bought before April 2012

s.187A doesn't apply at all. The technical team still checks for a s.185 cap if a past owner claimed.

Route 2: bought April 2012 to March 2014

The pooling requirement wasn't in force. The fixed value requirement only affects fixtures a past owner pooled, so we claim every fixture no past owner pooled.

Evidence: the seller's replies to the Commercial Property Standard Enquiries (CPSE), written enquiries to the seller about previous claims, any s.198 election, and the client's own returns. If a seller doesn't reply, we keep the enquiry as evidence of the checks made.

BD TIP

Long-standing owner-occupiers (manufacturers, distributors, family firms that bought their premises before 2014) are often sitting on unclaimed fixtures. A trading seller doesn't by itself defeat a Route 2 claim: what matters is what the seller actually pooled.

B11 Red flags: when to slow down

None of these automatically kills a lead, but each one changes what we can claim. Spot them early, write them down, and refer them.

Red flag	What it means	What to do
Bought on or after 1 April 2014 from a business or commercial landlord	The seller was probably entitled to claim, so s.187A applies.	Ask for the CPSE replies and any s.198 election. Often Route 4 only.
A s.198 election was signed	The fixtures it covers are fixed at the elected value, often £1 or £2.	Get a copy. Pre-2008 electrics and cold water may still be claimable.
Completed less than two years ago from a taxpaying seller	There may still be time to agree an election or apply to the tribunal.	Refer the same day.
Buyer and seller connected (same owners, family or group)	CAA 2001 s.214 and s.218 cap the claim at the seller's disposal value or, where it has none, the lowest of market value and the original cost. No AIA (s.217).	Refer.
Seller still occupies the building or uses the fixtures (sale and leaseback)	s.216 and s.218 restrict the claim. On one recent claim the seller's business still traded from the building, and the claim was limited to £5,416.	Refer.
Residential use	s.35 blocks claims for fixtures in dwelling-houses in a property business: flats, houses in multiple occupation, student flats, holiday lets from April 2025.	Usually no claim. Refer questions about communal areas.
Client outside the charge to tax	Charities, councils and pension schemes have no tax to save.	No value as a client (but good as a seller).
Property held as trading stock	Developers and dealers can't claim on stock.	No claim.
Already claimed	A duplicate claim fails.	Check past returns and any earlier capital allowances report.
The period of purchase is closed	The claim must go in a current period or an open one. We never rely on overpayment relief.	Check the year end and filing dates (C9).
Leasehold interest or tenant fit-out	Different rules decide who owns the fixtures (CAA 2001 Part 2, Chapter 14).	Refer with the lease.
Property already sold	Entitlement depends on ownership in the claim period.	Refer.

B12 Refurbishment, fit-out and development claims

This is our other main type of claim. When a client spends money on building work (constructing, extending, converting, refurbishing or fitting out), we analyse the costs **line by line** and identify the qualifying items. If a fire alarm system was installed, for example, there will be a matching cost in the contractor's final account.

Plant and machinery

New and unused, so the upfront allowances work here: AIA, full expensing for companies, the 50% special rate allowance, the 40% first-year allowance, then writing down allowances.

Structure

Structures and buildings allowance at 3% a year for non-residential buildings, on construction contracts from 29 October 2018. Needs an allowance statement.

Repairs

Genuine repairs and redecoration may be deductible as a revenue expense instead. The technical team flags them for the accountant.

What we need

- The building contract and the contractor's final account, or interim valuations and payment certificates.
- Quantity surveyor cost reports, and invoices for anything ordered directly.
- Drawings and specifications.
- Key dates: when the contract was signed, practical completion and first use.

BD TIP

Preliminaries and professional fees (design, project management) are shared across the qualifying and non-qualifying work, so they add to the claim. And a purchase followed by a refurbishment can produce two claims: one for the fixtures bought (Part B routes) and one for the new work.

PART C

How a claim is built

The process the technical team follows, the information you collect to make it possible, and the worked example from our civic hall case study.

C1 The claim journey

- 1

Qualify the lead
BD

Discovery call using the questions in D2. Note the purchase date, seller, previous use, current use and year end.
- 2

Collect the evidence pack
BD

The documents in C2, plus photographs of the floor plans and the building.
- 3

Check entitlement
Technical

Ownership chain, the seller's tax status, dates, past claims and elections, connected parties, residential use and duplication. One route is chosen; anything the evidence doesn't support is left out.
- 4

Measure
Technical

Floor area (business rates first, EPC as the backup) and site area (title plan or map measurement).
- 5

Inspect
Surveyor

Site visit; photographs of the installed plant and fixtures; check the accommodation against the floor area.
- 6

Value
Technical

Replacement costs A and B from the cost model; land value C from comparable evidence.
- 7

Apportion and allocate
Technical

Qualifying expenditure = $P \times A \div (A + B + C)$. Integral features to the special rate pool, the rest to the main rate pool.
- 8

Write the report
Technical

Our report template, fixed structure and wording standards (C8).
- 9

Review
Reviewer

Route matches the dates; every figure reconciles; wording and cross-references checked; reviewer signs off.
- 10

File the claim
Accountant

The client's accountant includes the claim in the current return, or an open return by amendment, before the deadline (C9).

WHERE BDS MAKE THE DIFFERENCE

Steps 1 and 2. A complete evidence pack on day one is the single biggest factor in how quickly a report is issued.

C2 The evidence pack

Use this as your checklist. Not every claim needs every item, but ask for all of them.

Document	Why we need it	Usually from
Completion statement	Price, SDLT, fees and VAT. Gives P.	Client's solicitor
Sale contract and transfer deed	Parties, dates, any capital allowances clauses	Solicitor
Any s.198 or s.199 election	Fixes the value of pooled fixtures	Solicitor
Seller's CPSE replies	The seller's capital allowances history	Solicitor (pre-contract enquiries)
Title register and title plan	Ownership history and site boundary	HM Land Registry (we can order)
SDLT return or certificate	Confirms the SDLT paid	Client or solicitor
Company details and year end	Claimant, company number, claim period	Client; Companies House
Last tax return and capital allowances computation	Open periods, AIA already used, no duplication	Accountant
Any earlier capital allowances report	Duplication check	Client
Floor plans (photographs are fine)	Floor area and layout	Client; agent's particulars
Photographs of the building	Installed plant and fixtures	Client or inspection
Lease (if leasehold, or if let)	Who owns which fixtures	Solicitor
Details of building work since purchase	Refurbishment claim; Route 4 check	Client
Accountant's contact details	They file the claim	Client

BD TIP

Ask for the completion statement and the year end on the first call. Between them they tell you the size of the opportunity and how much time is left.

C3 Floor area

GOLDEN RULE

Floor area comes from business rates first. The EPC is the backup.

The cost model gives replacement costs per square metre, so the floor area drives A and B. We need the **gross internal area (GIA)**: the total area of every floor, measured to the inside face of the external walls.

FLOOR AREA ISN'T THE FOOTPRINT

The footprint is the ground a building covers. The floor area adds up every floor. The civic hall in our case study has 3,869 m² of floor area over five floors, on a site of just 0.18 hectares (1,800 m²).

Source	What it gives	Watch for
Business rates (VOA) Primary	Floor areas by floor and use, with the measurement method stated. Use the GOV.UK service "Find a business rates valuation".	Offices and shops are usually measured on net internal area (NIA), which is smaller than GIA. Industrial and warehouse property is measured on GIA. Some property types, such as pubs and hotels, are valued on trading figures, so no floor areas are shown.
EPC register Backup	"Total useful floor area", which broadly equals GIA. Use the GOV.UK service "Find an energy certificate".	A certificate can cover only part of a building. Check the address and the date.
Floor plans	Layout, room uses and dimensions	Check the scale; photograph every floor.
Agent's particulars	Marketed floor areas	Check whether they are NIA or GIA.

If two sources disagree, don't pick one yourself. Note both and flag the difference. On one recent industrial claim, the acquisition-period measurement was 1,220 m² and the VOA record showed 1,181 m². The 39 m² difference was reconciled and the acquisition-period figure was used consistently throughout the report.

USING AI TO FIND RECORDS

You can ask an AI assistant to find the VOA and EPC records for an address. Always open the actual record, check the address, and save a screenshot. Never use a figure without its source.

THE AREA MUST FIT THE PROPERTY

A single flat or unit takes its own floor area, and a share of the site, never the whole site.
Conversions: 1 m² = 10.764 ft²; 1 ft² = 0.0929 m².

C4 Site area

The site area is all the land in the title: the building's footprint plus yards, car parks, gardens and access. It is used to calculate the land value.

From the title plan

Order the title plan from HM Land Registry. The boundary is edged in red. Measure the red-edged area by scaling it off the plan or tracing it on a map. Some registers state the area.

From Google Maps

On a computer, right-click one corner of the site, choose "Measure distance", then click round the boundary and back to the start. Google shows the total area. Check it against the title plan, which is the legal boundary.

Unit	Square metres	Hectares	Acres
1 hectare	10,000	1	2.471
1 acre	4,047	0.405	1
Civic hall site	1,800	0.18	0.44

SHARED SITES

For a unit on an estate or a flat in a block, the client takes only its share of the site, and the report shows how that share was worked out.

C5 Land value (C)

C is what the bare site would have been worth at the date of purchase, with no building on it. It is the site area multiplied by a land rate, usually in pounds per hectare or per acre.

Sources we use

- **Comparable land sales** in the area, for example CoStar transaction data.
- **Council planning evidence:** local plan and Community Infrastructure Levy (CIL) viability studies publish benchmark land values by use and location.
- **VOA and government land value data.**

Example	Evidence	Arithmetic
The civic hall	Comparable land sales in the local area, 2018 to 2025	0.18 ha → £907,000 (about £5.04 million per hectare)
An industrial site in West Yorkshire	Council CIL viability evidence for small industrial sites	0.223 ha × £1,235,000 per ha = £275,405

WHY LAND VALUE MATTERS

C sits in the bottom half of the formula. The higher the land value, the smaller the claim. That's why it must be realistic and evidenced: it is one of the first things an HMRC officer will look at.

C6 Replacement costs: the cost model (A and B)

A and B are what it would cost to rebuild the building today, ready to occupy. We build them from published construction cost data, principally **SPONS** (Spon's Architects' and Builders' Price Book), which gives costs per square metre for each building type, broken down into elements.

A · Qualifying fixtures

The services and fittings elements: electrical, mechanical, water, lifts, sanitary, fire, security, communications, kitchens and fixed fittings.

B · The remaining building

Substructure, frame, upper floors, roof, stairs, external walls, windows and doors, internal walls, finishes.

Each element's rate per square metre, multiplied by the gross internal area, gives its replacement cost. Contractor's preliminaries and professional fees are added and shared across A and B pro rata. In the civic hall case study, preliminaries were 14.70% and professional fees 15.03%.

A · FIXTURES

£2,168,082

B · REST OF BUILDING

£6,326,038

A + B PER M²

£2,195

on 3,869 m²

FIXTURES SHARE

25.5%

of replacement cost

WHY AN OLD BUILDING CAN STILL PRODUCE A BIG CLAIM

The formula shares out the price the client actually paid. Replacement costs only set the proportions. A 1930s building with working services still contains fixtures that would cost a great deal to replace, which is why the civic hall produced a claim of over £600,000.

SENSE-CHECK

The share of the price that qualifies depends on the building and the land. Service-heavy buildings (hotels, care homes, halls, offices) give bigger shares than simple sheds, and expensive land gives smaller shares.

C7 The apportionment formula: a worked example

$$\text{Qualifying expenditure} = P \times A \div (A + B + C)$$

P acquisition consideration · A fixtures and B rest of the building, both at replacement cost · C land value

The buyer paid one price for the whole property. The formula shares that price out in proportion to what each part would cost to replace, with the land at its value. The method has been used for many years, and the First-tier Tribunal accepted that it gave a just and reasonable apportionment in *Bowerswood House Retirement Home Ltd v HMRC* [2015] UKFTT 94 (TC).

Step	What	Civic hall case study
1	P: price + SDLT + acquisition fees	£2,475,000 + £113,250 + £14,806 = £2,603,056
2	A: replacement cost of the qualifying fixtures	£2,168,082
3	B: replacement cost of the remaining building	£6,326,038
4	C: land value	£907,000
5	A + B + C	£9,401,120
6	A ÷ (A + B + C)	23.06%
7	Apportioned qualifying expenditure: P × step 6, rounded to the pound	£600,316
8	Non-qualifying acquisition expenditure: P – step 7	£2,002,740

Each line of A is apportioned in the same way, so the two pools add back to the total: **£393,742 special rate + £206,574 main rate = £600,316**.

Special rate pool	£	Main rate pool	£
Heating, ventilation and air conditioning installations	£158,502	Furniture and fittings	£55,395
General power and lighting installations	£124,838	Fire fighting installations	£30,082
Lifts	£40,083	Public address and intercom systems	£23,769
Cold water systems	£25,355	Sanitary fittings including waste connections	£20,024
Hot water installation	£9,827	Fire alarms	£17,377
Emergency lighting	£9,588	Mechanical door furniture	£16,751
Water mains connection	£7,743	Catering equipment	£10,324
Electrical mains connection	£6,194	Audio visual equipment	£7,990
External lighting	£6,192	Hoists	£5,368
Gas mains connection	£5,420	Telecommunications mains connection	£4,646
Total	£393,742	Telephone and data installations	£3,396
		Signage	£2,732
		Carpets	£2,426
		Window furniture, stays and locks	£2,129
		Vehicle control equipment	£1,357
		Security installations	£1,032
		Intruder alarm and surveillance systems	£968
		Disabled panic alarms	£465
		Entrance matting	£343
		Total	£206,574

C8 Our report: what's inside

Every report follows the same template in the same order, so that an HMRC officer can read it once and accept it.

Section	What it does
Cover and contents	Logo, "Private & Confidential", client, property and address, property use, claim type, date prepared
1 Executive Summary	The two headline figures (acquisition consideration and apportioned qualifying expenditure), the particulars and the pool summary
2 Description of Property	Particulars table, then a factual description of the accommodation and the installed services
3 Basis of Claim and Restrictions	The acquisition, the fixtures, the entitlement route, the qualifying activity, the duplication check, the apportionment and the pools, each tied to the statute
4 Basis of Valuation	The formula; P, A, B and C; the land valuation data with the arithmetic shown
5 Information and Evidence Considered	Legal documents referenced B1, B2 and so on, and the inspection date
6 Photographic Evidence	Photographs of the installed plant and fixtures
7 Basis and Limitations	Identified expenditure is distinct from any tax saving; the report doesn't calculate a refund
8 Conclusion	The total and the split between the pools
Appendix A Qualifying Elements	The fixtures grouped into categories, with pool totals and the reviewer's sign-off
Appendix B Legal Documents	Title registers, plans and other documents, reproduced unaltered

Standards every report meets

- Firm, factual statements, each tied to the statute and the evidence. Nothing that invites a follow-up question.
- Every figure identical wherever it appears. Main plus special equals the total; the total plus non-qualifying expenditure equals the acquisition consideration.
- The statute cited exactly: CAA 2001 s.562, s.187A, s.198, s.33A, s.35, and Chapter 14 of Part 2 for fixtures.
- One entitlement route, matching the acquisition date. Anything the evidence doesn't support is left out, not hedged.
- The same terms throughout: **acquisition consideration**, **apportioned qualifying expenditure**, **main rate pool**, **special rate pool**, **non-qualifying acquisition expenditure**.

BD TIP

Use the same terms when you talk to clients and their accountants. It keeps the story consistent from the first call to the final report.

C9 Deadlines and claim timing

A claim is made in a tax return: either the current period's return, or an earlier return that is still open for amendment. **We never rely on overpayment relief.**

Taxpayer	Return due	Last date to claim by amendment	Example
Company	12 months after the end of the accounting period	12 months after the filing date, so 2 years after the period end	Year ended 30 June 2024: filing date 30 June 2025, amend by 30 June 2026 Year ended 30 November 2024: filing date 30 November 2025, amend by 30 November 2026
Individual or partnership	31 January after the tax year	12 months after that	2024/25: filing date 31 January 2026, amend by 31 January 2027

Other time limits

Annual investment allowance	Only in the period the expenditure was incurred, which on an acquisition is the period of purchase.
Later periods	Unclaimed fixtures can be pooled in the current period and get writing down allowances, as long as the client still owns the property and uses it in the qualifying activity.
s.198 election or tribunal application	Within two years of completion.
Structures and buildings allowance	Claim it every year: a year not claimed is lost.

ALWAYS ASK TWO QUESTIONS

What is your year end, and when was your last tax return filed? A lead whose open period closes in the next few months is urgent: flag it to the technical team straight away.

PART D

BD playbook

Who to target, what to ask on the first call, how to score a lead, how to explain what we do, and how to handle the objections you'll hear.

D1 Who to target

Profile	Why it often works	Route
Buyers of council, NHS, government or charity property	The seller couldn't claim	Route 3
Buyers from pension schemes (SIPP and SSAS trustees)	The seller couldn't claim	Route 3
Businesses in former houses: care homes, nurseries, dental and GP practices, guest houses, boutique hotels, offices, wedding venues	The previous homeowner couldn't claim	Route 3
Owners who bought before April 2014 and never claimed	The 2014 rule didn't apply to them	Routes 1 and 2
Buyers of older offices, shops, warehouses and workshops from long-term owners	Electrics, lighting and cold water installed before April 2008	Route 4
Owners of furnished holiday lets let before April 2025	Historic window, closing	Route 3 (urgent)
Anyone who has built, extended, converted or refurbished	New expenditure	Refurbishment

INTRODUCERS

Accountants are the best introducers: they know the client's year end, they know which returns are still open, and they file the claim. Solicitors, commercial agents and finance brokers see purchases as they happen.

D2 The discovery call

Twelve questions that give the technical team almost everything it needs to choose a route. Write the answers down word for word.

#	Ask	Why we ask
1	Who owns the property: a company, a partnership or individuals?	Taxpayer status; company number; whether a group shares the AIA
2	When did you buy it, and what did you pay, including SDLT and fees?	The route depends on the date; the price sizes the claim
3	Who did you buy it from? A council, charity, pension scheme, private individual, or a business or landlord?	Route 3, or s.187A
4	What was the property used for before you bought it?	Former home or residential use points to Route 3
5	What do you use it for now?	Qualifying activity; the s.35 dwelling-house rule
6	Did the contract mention capital allowances, or did you sign a section 198 election?	Fixed values
7	Have you ever claimed capital allowances on the property, or had a report done?	Duplication
8	Has any building work been done since you bought it?	Refurbishment claim; Route 4 check
9	Is the seller connected to you, or still using the building?	s.214, s.216 and s.218 restrictions
10	What is your year end, and when was the last return filed?	Claim period and deadline
11	Is the business paying tax at the moment?	Value and timing of the relief
12	Who is your accountant?	They file the claim

D3 Scoring a lead

Green: strong lead

- Bought from a council, public body, charity, pension scheme or homeowner, or bought before April 2014 with nothing claimed.
- Used in a trade or let commercially; the client pays tax; an open period is available.

Amber: refer for technical review

- Bought from a business or landlord after April 2014 (usually Route 4).
- Furnished holiday let (historic window); supported or sheltered housing; leasehold or part of a building.
- Connected seller, or the seller still in occupation; bought within the last two years from a taxpaying seller.

Red: no claim, or no value

- Residential lettings: flats, houses in multiple occupation, student lets, holiday lets from April 2025.
- Fixtures fixed by a low s.198 election with no pre-2008 angle; client outside the charge to tax; property held as trading stock; already claimed; property sold and the periods closed.

D4 Talking to clients

WHAT WE DO

"When you bought the building, part of the price paid for the systems built into it: the wiring and lighting, the heating, the water, the toilets, the fire alarms. The tax rules let you deduct that part from your profits. We work out how much it is, and we document why you're entitled to it."

WHY IT'S OFTEN MISSED

"There's no invoice for the fixtures inside a purchase price, so it takes a specialist apportionment. And the rules about previous owners are technical."

IS IT LEGITIMATE?

"It's set out in the Capital Allowances Act 2001. The valuation method has been used for many years and has been accepted by the tax tribunal."

WHAT YOU GET

"A report your accountant uses to make the claim in your tax return, with the evidence an HMRC officer would expect to see."

Do

- Qualify every lead with the D2 questions.
- Get the completion statement and year end early.
- Flag deadlines the day you spot them.
- Use our terms consistently.
- Refer amber leads rather than guessing.
- Write down what the client tells you about ownership, use and dates.

Don't

- Promise a refund amount or a date.
- Call a claim certain before the technical review.
- Say "guaranteed" or "HMRC-approved".
- Give tax advice beyond what we do.
- Quote a claim figure before the valuation.
- Ever suggest changing or backdating a document.

D5 Handling objections

They say	You say
"My accountant already does our capital allowances."	"They claim what's on invoices: equipment, vans, new work. Fixtures inside a purchase price don't come with an invoice and need a valuation under s.562. We work alongside your accountant, and they file the claim."
"It sounds too good to be true."	"It's in the Capital Allowances Act 2001, and the valuation method has been accepted by the tax tribunal. Our report sets out the evidence for every figure."
"Won't this trigger an HMRC enquiry?"	"The claim goes in your return in the normal way. Our report is written so an HMRC officer can read it once and see why the claim is right." (Never promise there won't be an enquiry.)
"We bought it years ago. Surely it's too late?"	"Not necessarily. Unclaimed fixtures can be claimed in your current year, and an earlier year if it's still open, as long as you still own the property."
"The contract said nothing about capital allowances."	"That can be good news: it often means no s.198 election was made. What matters is who the seller was. We check that."
"We signed a s.198 election at £1."	"That fixes those fixtures, but electrics and cold water installed before 2008, and any work since you bought it, may still be claimable. Let's look."
"We don't pay much tax at the moment."	"Allowances can create or increase a loss you carry forward. And the open periods won't stay open, so it's worth securing the claim now."
"It's an old building. There won't be much."	"The formula shares out the price you paid using today's replacement costs, so age doesn't wipe out the claim. The 1930s hall in our case study produced over £600,000."
"Can't we just put a figure in the contract?"	"A contract figure doesn't bind HMRC unless it's a valid s.198 election. Otherwise the law requires a just and reasonable apportionment, which is what we do."
"What does it cost?"	"There's no upfront fee, and nothing is payable unless allowances are identified." Quote fees only from our current terms of engagement, and never put a figure on a claim before the valuation.

REFERENCE

Glossary, quick reference and knowledge check

The words you'll hear, one page to keep on your desk, and fifteen questions to test yourself.

Glossary

Acquisition consideration (P)	What the client paid for the property: the price plus SDLT and acquisition fees, excluding VAT the client can recover.
Allowance statement	The written statement needed to claim structures and buildings allowance. A buyer needs a copy from the seller.
Annual investment allowance (AIA)	100% relief on the first £1 million a year of plant and machinery spending. Available on second-hand fixtures, but only in the period of purchase.
Apportioned qualifying expenditure	The part of the acquisition consideration attributed to qualifying fixtures by the s.562 apportionment.
Balancing charge	A clawback of allowances when an asset is sold for more than its remaining tax value.
CAA 2001	The Capital Allowances Act 2001, the main legislation. Fixtures are in Chapter 14 of Part 2.
Chattel	A loose item that isn't fixed to the building, such as furniture or computers. It "falls out" in the flip test.
Connected persons	People or companies under common control or in a family relationship. Sales between them are restricted (s.214, s.218).
CPSE	Commercial Property Standard Enquiries: the pre-contract questions a buyer's solicitor asks, including the seller's capital allowances history.
Disposal value	The amount a seller brings into its capital allowances computation when it sells an asset it claimed on.
Dwelling-house	A home. In a property business, fixtures for use in a dwelling-house don't qualify (s.35).
EPC	Energy Performance Certificate. Non-domestic EPCs give a "total useful floor area": our backup floor area source.
Fixed value requirement	Since April 2012, where a past owner pooled fixtures, their value must be fixed by a s.198 election or tribunal application within two years (s.187A).
Fixture	Plant or machinery installed in a building so that it becomes part of the building (s.173).
Full expensing	A 100% first-year allowance for companies on new and unused main rate plant.
Furnished holiday letting (FHL)	A special tax regime for holiday lets, abolished from April 2025.
Gross internal area (GIA)	The total floor area of every floor, measured to the inside face of the external walls.

Integral features	Electrical (including lighting) and cold water systems, heating and air systems, lifts and escalators, and external solar shading (s.33A). They go to the special rate pool.
Land value (C)	The value of the bare site at the date of purchase.
Main rate pool	The pool for most plant and machinery. Writing down allowance of 14% a year (18% before April 2026).
Net internal area (NIA)	The usable floor area inside a building, excluding areas such as stairwells, lift shafts, toilets and plant rooms. Smaller than GIA.
Non-qualifying acquisition expenditure	The rest of the acquisition consideration: land and structure.
Open period	An accounting period or tax year whose return can still be amended.
Overpayment relief	A separate claim to recover tax overpaid. We never rely on it.
Past owner	An earlier owner of a fixture who was entitled to claim allowances on it.
Plant and machinery	The apparatus a business uses to carry on its activity, as opposed to the premises it is carried on in.
Pooling	Entering expenditure in a capital allowances computation (a pool), whether or not allowances are claimed.
Pooling requirement	For purchases since April 2014, a buyer can only claim fixtures that an entitled past owner pooled before the sale (s.187A).
Qualifying activity	A trade, profession or property business (s.15).
Replacement cost (A and B)	What it would cost today to reinstall the fixtures (A) or rebuild the rest of the building (B).
s.185	Caps a buyer's claim at a past claimant's disposal value.
s.198 election	A joint election fixing the value of fixtures on a sale. Made within two years; binding on HMRC; anything from £1 up to the seller's original cost.
s.562 apportionment	The just and reasonable apportionment of a single price across different assets.
SBA	Structures and buildings allowance: 3% a year for 33½ years on non-residential construction under contracts from 29 October 2018.
SDLT	Stamp duty land tax. It forms part of P.
Site area	All the land in the title, measured in hectares or acres.
Special rate pool	The pool for integral features and some other assets. Writing down allowance of 6% a year.
SPONS	Spon's Architects' and Builders' Price Book: published construction cost data used in our cost model.
Title register and title plan	HM Land Registry records showing who owns a property, its history of key dealings, and its boundary.
VOA	Valuation Office Agency. It values property for business rates, and its records are our primary floor area source.
Writing down allowance (WDA)	The yearly deduction calculated on a pool's balance.

Quick reference card

THE FORMULA

$$QE = P \times A \div (A + B + C)$$

P	Price + SDLT + fees (no recoverable VAT)
A	Replacement cost of the fixtures
B	Replacement cost of the rest of the building
C	Land value: site area × land rate

THE FOUR ROUTES

Route 1	Bought before 1 April 2012
Route 2	Bought 1 April 2012 to 31 March 2014, no past claim
Route 3	No past owner entitled: homes, residential lets, councils, charities, pension schemes
Route 4	Electrics, lighting and cold water installed before April 2008

RATES (OCTOBER 2026)

AIA	100% of £1 million a year; period of purchase only
Main rate pool	14% a year (18% before April 2026)
Special rate pool	6% a year
Full expensing	100%; companies; new plant only
40% FYA	From 1 January 2026; new plant only
SBA	3% a year for 33½ years
Corporation tax	19% to 25%

KEY DATES

24 July 1996	Disposal value cap (s.185)
April 2008	Integral features
April 2012	Fixed value requirement
April 2014	Pooling requirement
29 October 2018	SBA
April 2025	FHL regime abolished
April 2026	Main rate cut to 14%

MEASURING

- **Floor area:** business rates first, EPC backup. GIA, not the footprint.
- **Site area:** title plan, or Google Maps "Measure distance".
- **Land value:** comparables, council CIL evidence, VOA data.
- 1 ha = 10,000 m² = 2.471 acres; 1 m² = 10.764 ft².

DEADLINES

- **Companies:** 12 months after the filing date (2 years after the period end).
- **Individuals:** 2024/25 can be amended until 31 January 2027.
- **s.198 election or tribunal:** 2 years from completion.
- Never rely on overpayment relief.

SIX MUST-ASK QUESTIONS

- When did you buy it, and what did you pay?
- Who did you buy it from?
- What was it used for before, and what now?
- Any s.198 election or previous claim?
- Any building work since?
- What is your year end, and when was the last return filed?

REFER BEFORE PROMISING

- Bought from a business or landlord after April 2014
- Connected seller, or sale and leaseback
- Residential, supported or holiday letting
- Leasehold, part of a building or tenant fit-out
- Completed within 2 years from a taxpaying seller
- Period of purchase closed, or closing soon

Knowledge check

Try these without looking back. The answers are on the following pages.

1. Which three things does a property purchase price pay for?

2. In the flip test, what do we call the items that fall out, and are they part of our fixtures claim?

3. Name four integral features.

4. What are the main rate and special rate writing down allowances today?

5. Can the AIA be used on fixtures bought with a building? If so, when?

6. Why can't full expensing be used on an acquisition claim?

7. Which two requirements did s.187A introduce, and when?

8. The s.187A requirements only apply if... what?

9. A client bought a house in 2019 and turned it into a dental practice. Which route?

10. A client bought an office from a property investment company in 2018. It was last rewired in 1998. What might we claim?

11. A client bought a holiday cottage in June 2025 to let to holidaymakers. Is there a claim?

12. What is the primary source for floor area, and what is the backup?

13. Write out the apportionment formula and say what each letter stands for.

14. A company's year ended 31 March 2025. When does the window to amend that return close?

15. Name three red flags that mean you should refer before promising anything.

Answers

1. Which three things does a property purchase price pay for?

Answer: Land, the building structure and the fixtures.

2. In the flip test, what do we call the items that fall out, and are they part of our fixtures claim?

Answer: Chattels (loose items). No: they're claimed separately, not in our fixtures apportionment.

3. Name four integral features.

Answer: Any four of: electrical systems including lighting; cold water systems; heating, hot water and air systems; lifts and escalators; external solar shading.

4. What are the main rate and special rate writing down allowances today?

Answer: 14% (from April 2026; it was 18%) and 6%.

5. Can the AIA be used on fixtures bought with a building? If so, when?

Answer: Yes, but only in the accounting period in which the purchase took place.

6. Why can't full expensing be used on an acquisition claim?

Answer: It only applies to new and unused plant. Fixtures bought with a building are second-hand.

7. Which two requirements did s.187A introduce, and when?

Answer: The fixed value requirement (April 2012) and the pooling requirement (purchases from April 2014).

8. The s.187A requirements only apply if... what?

Answer: A past owner was entitled to claim allowances on the fixtures.

9. A client bought a house in 2019 and turned it into a dental practice. Which route?

Answer: Route 3: the homeowner was never entitled to claim.

10. A client bought an office from a property investment company in 2018. It was last rewired in 1998. What might we claim?

Answer: Route 4: the general electrical, lighting and cold water installations from before April 2008, subject to the technical checks.

11. A client bought a holiday cottage in June 2025 to let to holidaymakers. Is there a claim?

Answer: No. The FHL regime was abolished in April 2025, and s.35 blocks claims for fixtures in a dwelling-house.

12. What is the primary source for floor area, and what is the backup?

Answer: Business rates (the VOA record) first; the EPC as the backup.

13. Write out the apportionment formula and say what each letter stands for.

Answer: $QE = P \times A \div (A + B + C)$. P acquisition consideration; A replacement cost of the qualifying fixtures; B replacement cost of the remaining building; C land value.

14. A company's year ended 31 March 2025. When does the window to amend that return close?

Answer: 31 March 2027: the filing date is 31 March 2026, and amendments are allowed for 12 months after that.

15. Name three red flags that mean you should refer before promising anything.

Answer: Any three of: bought from a business or landlord after April 2014; a s.198 election; a connected seller; sale and leaseback; residential use; a closed period; a leasehold or tenant fit-out; completion within the last two years from a taxpaying seller.

Sources and further reading

Legislation

Capital Allowances Act 2001: s.15 (qualifying activities), s.21 to s.23 (buildings and structures), s.33A (integral features), s.35 (dwelling-houses), s.173 (fixtures), s.185 (disposal value cap), s.187A (pooling and fixed value requirements), s.198 and s.199 (elections), s.213 to s.218 (connected persons and sale and leaseback), s.562 (apportionment). legislation.gov.uk/ukpga/2001/2

Finance Act 2008, s.73 (integral features, from 1 April 2008 for corporation tax and 6 April 2008 for income tax).

HMRC Capital Allowances Manual

CA11140, claims for corporation tax: gov.uk/hmrc-internal-manuals/capital-allowances-manual/ca11140

CA11520, meaning of dwelling-house: gov.uk/hmrc-internal-manuals/capital-allowances-manual/ca11520

CA26472, CA26474 and CA26476, fixtures on a change of ownership: gov.uk/hmrc-internal-manuals/capital-allowances-manual/ca26472

CA91010 and CA94700, structures and buildings allowance: gov.uk/hmrc-internal-manuals/capital-allowances-manual/ca91010

Rates and recent changes

Autumn Budget 2025: 40% first-year allowance from 1 January 2026 and main rate writing down allowance of 14% from April 2026. Summary: [Deloitte Taxescape](#). GOV.UK overview: gov.uk/capital-allowances

Abolition of the furnished holiday lettings regime from April 2025 (Finance Act 2025), including the transitional rule for existing pools.

Case law

Yarmouth v France (1887) 19 QBD 647: the classic description of plant.

Bowerswood House Retirement Home Ltd v HMRC [2015] UKFTT 94 (TC): the formula approach to apportionment.

Finding records

Business rates: "Find a business rates valuation" on GOV.UK (tax.service.gov.uk/business-rates-find). EPCs: "Find an energy certificate" on GOV.UK. Titles and plans: HM Land Registry, "Search for land and property information".

Case study

Civic hall case study: capital allowances report for the period ended 30 June 2024, with the client and property details removed. Figures in this manual are taken from that report.



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