

Hospitality & Leisure Businesses Reduce your tax bill

The recently released capital allowances case, *JD Wetherspoon plc v HMRC*, for which Deloitte acted as instructing accountants, is particularly relevant to hospitality and leisure businesses incurring capital costs on property. The case clarifies the position regarding the availability of tax reliefs for building expenditure and the methodology for calculating capital allowances available on various project overheads.

As a result of the subjective nature and complexity of issues, the case resulted in a two stage hearing before the Special Commissioners/First Tier Tax Tribunal. At the second hearing, the Tribunal Judges decided a substantial proportion of the disputed items in favour of the taxpayer.

The areas debated during the two hearings included:

- Lighting and electrical installations – considerable debate was undertaken regarding the eligibility of lighting throughout the public houses and other electrical installations. Whilst the distinction is less contentious under the new capital allowances regime, the scope for beneficially restating historic expenditure is significant.
- Ambient and decorative assets including wooden panelling.
- Building alterations incidental to the installation of plant & machinery including the replacement of various floors, drainage installations, kitchen and toilet walls and wall surfaces.
- Preliminaries and professional fees – there have been significant differences in view between taxpayers and HMRC for many years about the appropriate methodology for allocating project preliminaries (overheads) and fees across project costs. The case provides clarification on an appropriate methodology for identifying tax relief available in respect of such costs.

Deloitte can provide you with practical assistance to unlock new cash savings:

- Generate tax repayments through retrospective reviews of capital expenditure to identify missed tax relief on items arising from the nuances of this case. Where past tax returns are still open, they can be amended. Where closed, newly identified eligible expenditure can be added to the plant & machinery pool in later periods. This is particularly relevant to hoteliers who should be looking to beneficially recategorise (for tax purpose) as much buildings expenditure as possible, given the abolition of hotel buildings allowances.
- Review of current processes for identifying capital allowances to ensure claims are being maximised. We advise businesses in all aspects of capital allowances including design and implementation of systems and processes to capture and manage capital allowances information, as well as transaction and restructuring advice and cashflow improvements through alternative capital allowances strategies.
- Securing cash tax credits (if not currently tax paying) in respect of energy efficient expenditure or cleaning up contamination.



If you would like to discuss how Deloitte is able to help you identify tax savings in this area, please contact your usual Deloitte tax depreciation contact or one of the following:

Contacts

London

Helen Netherwood

020 7007 2407

hnetherwood@deloitte.co.uk

Peter Millwood

020 7007 2741

pmillwood@deloitte.co.uk

Marvin Rust

020 7007 2125

mrust@deloitte.co.uk

Midlands

Andy Brook

0121 695 5033

abrook@deloitte.co.uk

North

Ian Stephenson

0113 292 1421

istephenson@deloitte.co.uk

South West

Tom Ewins

0117 984 2968

txewins@deloitte.co.uk

Scotland

Matt Smith

0131 535 7027

mattsmith@deloitte.co.uk

Deloitte refers to one or more of Deloitte Touche Tohmatsu ('DTT'), a Swiss Verein, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTT and its member firms.

Deloitte LLP is the United Kingdom member firm of DTT.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte LLP would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte LLP accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

© 2009 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

Designed and produced by The Creative Studio at Deloitte, London. 1000A

Member of Deloitte Touche Tohmatsu