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Structures and Buildings Allowance ('SBA')

A Structures and Buildings Allowance ('SBA') has been introduced. The new tax relief is aimed at relieving capital expenditure on buildings and structures excluding anything that can qualify for plant and machinery allowances.

Summary of basic rules

- The allowance applies to capital expenditure on new non-residential structures and buildings.
- The structures/buildings must be brought into use for the purposes of a qualifying activity, ie a trade, a profession or vocation; UK or overseas property business (excluding furnished holiday lettings).
- The claimant must have an interest in the land on which the asset is constructed (freehold or leasehold).



Claims can only be made once the building or structure has been brought into qualifying use.

- The allowance is only available where a contract for the construction works is entered into on or after 29 October 2018.
- The allowance is 2% of the relevant cost every year for a 50 year period.
- The allowance is proportionately increased or reduced for chargeable periods of more or less than a year.
- If a building is put to multiple uses in a chargeable period the expenditure is apportioned between the qualifying activities on a just and reasonable basis.
- Any allowances claimed during ownership are revoked on sale.
- On the purchase of a building for which the allowance has been claimed, a purchaser may continue to claim an allowance of 2% of the original cost rather than the expenditure incurred on the purchase.



What type of expenditure qualifies for the SBA?

- Capital expenditure on renovations or conversions of existing commercial structures or buildings.
- Repairs incidental to the renovation or conversion of existing commercial structures or buildings.
- Construction and associated costs and fees for new properties.

Excluded expenditure

- Examples of **excluded expenditure** include acquisition or alteration of land, provision of plant and machinery, revenue expenditure, expenditure on residential property.

Provision of plant and machinery

- Where parts of a structure or building qualify for allowances as plant and machinery or as integral features and fixtures the expenditure is not allowed under the SBA.

Allowance statement

The claimant must satisfy an allowance statement requirement. **If this requirement is not met then the qualifying expenditure is treated as nil.**

An allowance statement is a written statement to HM Revenue & Customs of the following:

- The date of the earliest written contract for the construction of the building or structure
- The amount of qualifying expenditure incurred on its construction or purchase, and
- The date on which the building or structure is first brought into non-residential use.



Does this topic raise any questions in your mind?

Would you like more information on a particular item?

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