

# Case study

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## Children's Nursery reviews capital allowances to save tax

- Children's nursery - Successful/profitable
- Operating from two sites in Surrey (Kingston and Worcester Park)
- One site owned by the company and other by director
- Capital allowance review undertaken (following suggestion and persistence from Menzies)
- Review identified additional allowances to be claimed of £210,382
- Overall tax saving will be at least £40,000 for the company and director
- Helped cash flow by reducing current tax liabilities (in fact refunds were received) and will continue to present cash flow advantage for years to come
- Louise Winter, director, very happy and will ensure similar reviews are undertaken as additional properties are added.

The Stars Childcare Group Limited, have been able to save around £50,000 in tax, following capital allowance reviews provided by Menzies.

The company operates two children's nurseries within the Kingston area. The business has been trading successfully from these sites for a number of years and the longer term aspirations of the director and principal shareholder, Louise Winter has always been to add further sites. The company prides itself on the standard of care provided, and the waiting lists at both sites bear testament to this fact.

### The Issue

Following a change of accountants at the beginning of 2010, the company agreed to a review of trading premises to confirm that all possible capital allowances had been claimed. The review considered both the original freehold purchases together with refurbishment and development expenditure since the properties were acquired.

### The Solution

The review identified £210,382 of additional allowances that could be claimed. The benefit of these allowances will be enjoyed over a number of years within the tax returns of the company and the shareholder. The overall tax savings from this exercise are likely to be in the region of £50,000.

Louise was delighted with the work done and had not realised that the claim would be anywhere near as large. The claim provided the company with a tax refund in respect of the year ended 31 December 2010, and tax liabilities for future years will also be considerably lower as a result of the work.

### The Benefits

The cash flow benefit arising from the reduced tax burden has significantly helped the business and Louise hopes that the business will soon give consideration to the possible purchase of its third site. If this is the case further capital allowance claims are likely.

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Any company that owns a trading property could potentially benefit from reviewing capital allowances. Many companies fail to realise that when they buy a property, the freehold costs is not just bricks, mortar and land, upon which no tax relief can be claimed. Within the property there will be fixtures, fittings, electrical systems, air conditioning systems and many other integral features upon which allowances can be claimed. Often the value of these features can be as much as 15-20% of the purchase price.

We recommend that a surveyor works alongside the tax expert to ensure all possible allowances are identified. A surveyors report is generally submitted with the claim.

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