

BPRA

Business Premises Renovation Allowance

A new tax relief has been introduced by the Government to encourage conversion and renovation of empty business properties in designated areas. Business Premises Renovation Allowance [BPRA] provides a 100 per cent tax relief to property owners and lessees for qualifying capital expenditure incurred on conversion or renovation works on or after 11 April 2007.

The objective of BPRA is to increase private investment, enterprise and employment in Enterprise Areas, by bringing longer-term vacant business properties, in those areas, back into productive use. The BPRA scheme aims to contribute to those objectives and goals through the mechanism of new and enhanced capital allowances, designed to encourage and support investment in business property and renovation.

Which buildings qualify for BPRA?

The main aim of the relief is to bring unused property back into business use. In order to qualify for this opportunity the building (or part of building):-

- must be in a designated regeneration area;
- must have been empty for at least a year before renovation works began;
- must have been last used for the purposes of a trade, profession or vocation or as an office;
- must not have been used as a dwelling; and
- will remain as a business premise after the renovations have taken place.

The requirement that the building must have been used for the purposes of a trade, profession or vocation or as an office both before and after renovation is reasonably wide.

However premises used for the following trades will not qualify for BPRA: fisheries and aquaculture, ship-building, coal or steel industry, synthetic fibres and the production of certain agriculture and dairy products.

Business sectors affected

The BPRA scheme is available to all property **owners and lessees** who incur qualifying expenditure and who have a liability to United Kingdom tax, operating in any sector of the economy. It is available to sole traders, partnerships, stand-alone or subsidiary companies, regardless of size.

What capital costs can be claimed?

BPRA can be claimed on capital costs arising from the conversion or renovation of the building. However, BPRA will only apply to costs incurred in the 5 years until April 2012 and will not apply to capital expenditure incurred on:-

- acquiring the land;
- extensions;
- the development of adjoining land; or
- plant and machinery which does not become a fixture.

Care needs to be taken as to what costs are available or, for promoters, what is represented to investors as qualifying for BPRA.

Where are the assisted areas?

You can find details of which areas are classified as assisted and are therefore areas where BPRA is available at http://www.opsi.gov.uk/si/si2007/uksi_20070107_en.pdf or you can do a postcode search at <http://www.dtistats.net/regional-aa/aa2007.asp> to get an indication of whether the property is likely to be in an assisted area.

Claiming the relief

Individuals and companies who incur the capital expenditure and hold a relevant interest in the building can claim the 100 per cent relief and deduct it from their trading profits.

For landlords the allowance will be treated as an expense of the property letting business. Those without a property business or a trade will be able to set the allowance against their other income.

Property traders would not be incurring capital expenditure on conversion costs and therefore will not be able to claim (although in any event, with minor exceptions, there would be no advantage in doing so).

Clawbacks of relief

Any BPRA claimed may be clawed back if the property is sold, demolished or ceases to be used for qualifying purposes within 7 years after it was first used or first available and suitable for letting.

Costs

Costs are considered to be small or negligible. Capital allowances are a long-standing and well understood feature of the tax system. The introduction of BPRA will not introduce any special additional compliance costs for businesses.

Businesses will need to compute their claims as they do currently for other capital allowances. Claims will be made on income tax or corporation tax returns in the usual way and it is envisaged that the returns will include a new box for individuals or companies to complete if they wish to claim BPRA.

This document has been prepared by ROCK DCM and is intended to serve as a brief introduction only. We would ask that you seek specialist advice from your Accountant before acting on any of the information contained within this document.

