

Property tax incentives

Agri-food

There can be significant cash tax savings made from understanding what capital allowances are available to your business.

What are capital allowances?

Capital allowances are amounts a business can deduct from its profits for qualifying capital expenditure before calculating its overall corporation tax. As depreciation isn't allowable for tax, capital allowances compensate for this.

After staffing costs, capital expenditure is one of the major overheads of the agri-food industry which requires significant annual investment as the industry invests in facilities to increase productivity, improve efficiency and meet the constantly changing regulatory requirements of the industry.

As owners and occupiers of these structures, agri-food companies are entitled to capital allowances on both their buildings and plant and machinery assets under the current tax legislation.

How much of our capital expenditure qualifies for capital allowances?

Expenditure incurred by agri-food companies on the construction or acquisition of a property can attract a substantial amount of capital allowances given that most modern buildings have a high content of plant and machinery.

The proportion of the qualifying cost can vary considerably depending on the building age and specification. The qualifying cost of a new building is expected to range between 10% - 40% of the construction cost. In the case of a premises fit-out, the qualifying cost is expected to be in the range of 30% - 70%.

Industrial building allowances vs capital allowances

However, our experience shows that many businesses are not optimising the tax relief available to them in relation to their capital expenditure on property assets, as expenditure qualifying for plant & machinery is regularly being pooled into the Industrial Building Allowances pool (IBA's). This means many businesses are missing out on the accelerated tax benefits that are available through optimising the capital allowances claims on projects.

Qualifying plant and machinery which is pooled into the IBA's pool and typically claimed at 4% per annum over 25 years.

However, qualifying plant and machinery could attract tax relief much quicker if a detailed capital allowances review is undertaken. The allowances are spread over eight years at a rate of 12.5% per annum.





Case study



Our capital allowances team provided a detailed review of a new state of the art food processing facility with a development cost of circa €2 million.

By undertaking a reclassification of expenditure, our client was able to benefit from tax savings in excess of €200,000.

Accelerated Capital Allowances (ACA)

The Accelerated Capital Allowance (ACA) is applicable to energy efficient equipment. ACA is based on the existing capital allowances tax structure or wear and tear allowance, for plants and machinery. Claiming the ACA is carried out the same way as for the standard capital allowances.

Organisations who invest in eligible energy efficient capital equipment can deduct the full cost of the equipment from their profits in the year of purchase. This reduces the taxable profit in year one by the full cost of the equipment.

With the growth in the development of anaerobic digesters, there is scope to include these costs within this scheme. We can help guide you through the certification process which can make you eligible to claim these ACA's.

How can we help?

Grant Thornton's specialist capital allowances team can ensure your tax relief claims are both optimised and professionally managed.

Our advice compliments business planning, business change and business as usual activities, improving the bottom line and helping you unlock business opportunities.

Tax compliance support

The provision of specialist capital allowances input and support your tax teams and retained tax advisors.

Transaction support

Providing capital allowances advisory support during the legal due diligence process, particularly in relation to occupational leases, landlord contributions, purchases and disposals.

Project and development support

Preparation of capital allowances claims for property developments, refurbishments and fitting out projects.

Strategic consulting

Implementation of capital allowances strategies including the development, design and delivery of capital allowances systems and processes for clients with large capital expenditure programmes across multiple locations.

Historic capital expenditure audits

Analysis of historic capital expenditure and capital allowances claims including the identification and retrospective recovery of unclaimed tax relief.

ACA planning

Assisting trading companies to invest in qualifying energy efficient technologies for their business.

Revenue negotiation

Undertaking all necessary negotiations to reach a successful conclusion to the submitted capital allowances claims.

The benefits

- realise cash savings and cash flow benefits;
- reduce direct and indirect business costs associated with managing your tax obligations;
- integrate strategies and services so that they can be delivered through a single point of contact;
- delivery by a professionally qualified team with industry leading expertise;
- national coverage across all property and industry sectors; and
- sharing innovation that helps you gain a competitive advantage.

At Grant Thornton we have a specialist capital allowances team with significant experience in the research, preparation and negotiation of capital allowances claims in respect of high profile and large value projects both in Ireland and the UK. Our people are dual qualified tax and surveying specialists with significant experience in this area of taxation.

Our specialist team enables us to consistently provide the optimal capital allowance position for each party to a particular transaction. Our combined focus is consistent high quality deliverability. Our client centric approach is based on clear communication, all encompassing and regular client engagement, with partner led advice and project direction always available. Our consultants approach each client with a multi-dimensional outlook, embracing, business planning, economic and market change, day-to-day business activity and improving investment yield.

Contact

Should you have any queries in this regard, please feel free to contact us to discuss your specific issue in further detail.



Sasha Kerins
Partner, Head of Agri-Food
T +353 (0)45 448 852
T +353 (0)1 6805 778
E sasha.kerins@ie.gt.com



Eugene O'Neill
Associate Director, Tax
T +44 28 9587 2320
E eugene.oneill@ie.gt.com



James McMahon
Tax
T +353 (0)1 433 2552
E james.mcmahon@ie.gt.com

Offices in Dublin, Belfast, Cork, Galway, Kildare, Limerick and Longford.

 www.grantthornton.ie

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