

HOW TO IMPROVE WORKING CAPITAL THROUGH TAX RELIEFS

Capital Allowances, R&D, Patent Box and the Creative Tax Reliefs

Friday 27 March 2020

A short delay in accessing the funding measures announced by the government is expected, largely due to the anticipated high demand and inevitable bureaucracy. In addition, there are no guarantees that businesses will qualify. In the interim, clients could benefit from a cash injection and free-up valuable working capital by maximising their use of the well-established fiscal incentives regime in the UK (capital allowances, R&D, patent box, etc) without affecting their future entitlement to any of the emergency measures announced by the government.

Specific Ways Six Forward Can Help

Historic expenditure review - not all tax reliefs are time-restricted, our specialist team are highly experienced in reviewing historic expenditure to identify qualifying expenditure that generates cash benefits. We can work with minimal historic data to put forward claims for allowances that are accurate and auditable.

Tax relief on current projects - we can review ongoing projects to identify available tax reliefs and highlight potential areas of risk and opportunity, providing estimates of allowances for management reporting and forecasting.

Peer and systems reviews - you may already be making claims for tax relief and payable credits. We can forensically review prior claims and existing systems to determine whether we can identify additional allowances to enhance your cash position and post-tax returns.

HMRC support and negotiations - we recognise that all claims for relief are subject to agreement with tax authorities and our approach is fully focussed on minimising risk and we can help to support you with any ongoing official government tax discussions to expedite agreement and crystallise benefit.

Example One: Individual (Income Tax at 45%)

A dentist paying income tax at 45%. He carried out a refurbishment of his dental practice in 2015 and incurred £500k on assets qualifying for plant and machinery allowances. He never made a claim and as he still owns the assets, he is entitled to make a claim in a tax return that is still open. His total tax saved over time will equate to £225k (£500k x 45%).

Example Two: Company (Corporation Tax at 19%)

An industrial distributor spent £1m fitting out their warehouse on a combination of fixtures and fittings and lighting but has never claimed. By not claiming, they are missing out on total tax saving of £190k (£1m x 19%). As they still own the assets, they can amend an open tax return and this will reduce their tax paid by £25k in the first year, followed by a reducing amount over the next 10 years.



Examples of the clients we have worked with in March 2020:

Exposure (source: Moody's)	Market	Type	Spend	Years	Allowances	Tax Saving	%
High	Leisure	Caravan Park	£551,108	2014 - 2016	£269,860	£51,273	49%
Medium	Industrial	Manufacturing	£2,211,732	2016	£218,784	£41,569	10%
Low	Construction	Offices	£671,989	2012	£110,475	£20,990	16%