Structures and buildings allowances: where are we now?

Large Corporate **OMB**

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The new Structures and Buildings Allowances could apply to expenditure currently being incurred by businesses, though consultation continues over their exact scope and operation.

It was announced at Budget 2018 that a new class of capital allowances – *Structures and Buildings Allowances* (SBAs) – would be introduced with immediate effect. In outline, SBAs will provide relief for qualifying expenditure on new non-residential structures and buildings incurred on or after 29 October 2018 on a 2% per annum straight line basis.

No detailed legislation was released at the time of this announcement, with Finance (No.3) Bill (which should have become Finance Act 2019 by the time of publication) containing minimal information and instead providing for Treasury regulations to be passed which will set out the scope of SBAs in more detail. At the time of writing these regulations had not yet been published, with the majority of the publicly available information on SBAs contained in a 13 page HMRC Technical Notice.

This Technical Notice contains limited information on a number of key issues, including a summary of what will be included as *structures* and *buildings* (offices, retail and wholesale premises, walls, bridges, tunnels, factories and warehouses), the determination of construction costs and the interaction with other capital allowances.

The Technical Notice also identifies the following issues as being of particular interest to HMRC:

- The exclusion of residential use, including the definition of a *dwelling*.

- The treatment of leasing transactions, including whether the proposed boundary of 35 years for the transfer of the SBA from a lessor to a lessee is appropriate.
- Overseas property.
- The treatment of periods of disuse (the Technical Notice proposes that eligibility for relief could be retained for up to two years, or up to five years where the structure / building substantially no longer exists following extensive damage).

HMRC held meetings in December and January with various stakeholders (including the ATT and CIOT) to consult on these and other key issues. At the time of writing, we understand that draft secondary legislation will be released for comment following the conclusion of the last of these meetings.

Consultation on the new allowances is therefore still very much ongoing – if you have any comments on the technical notice, draft secondary legislation (when released) or other aspects of SBAs please do let us know.