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Termination of carry forward of certain unused capital allowances

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Certain property investments, such as investments in the various accelerated property and area-based capital allowance schemes, allowed investors to take advantage of accelerated capital allowances. Where the capital allowances could not be used in any given tax year, it was previously the case that the unused capital allowances could be carried forward and offset against certain classes of income.

However, from 1 January 2015 any unused allowances relating to the above-mentioned investments cannot be carried forward beyond the tax life of the building to which the capital allowances relate. If the tax life of the building ended in 2014 or earlier, then no unused capital allowances can be carried forward to 2015 or to later years.

If the tax life of the building ended after 2014, then the allowances can be used up to the end of the tax life of the building, but cannot be carried forward to subsequent years. For example, if the tax life of a building which was purchased as part of one of the above schemes ended in 2015, then the unused allowances can be used in 2015 but cannot be used in later years.

If an individual has a building whose tax life ended in 2014, then this has implications for the preparation of that individual's tax return. An individual in that position should adjust his/her 2014 tax return such that the figure entered for any amount of unused capital allowances relating to the building to which the restrictions apply is reduced to zero.

It is likely that this restriction will result in considerably higher income tax liabilities for those affected. To that end you should consult with your advisor as soon as possible to establish how this will affect you.

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