



Dealing with flood damage

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Many businesses all over the country have been hit by flooding over the last two months. First the north of the country was hit, and at the end of July it was the turn of the south west and central England. As the floods subside and businesses start to get back to normal, they may begin to wonder whether there are any tax implications for the expenditure they are likely to incur.

Tax Implications:

1. **Cleaning up.** Expenditure by the business on cleaning up, pumping out floodwater and removing damaged stock is all allowed for tax as normal revenue expenditure, so tax relief will be given in full against the expenditure as it is incurred.
2. **Replacing Equipment.** There are various strategies that can be applied when writing off and replacing equipment which is no longer fit for use. Care should be taken to maximise the tax relief's available. We can help if you are in this position.
3. **Insurance proceeds.** Essentially payments you receive from insurance claims will reduce either the cost of the cleanup or will be considered as the proceeds of sale if for scrapped equipment.
4. **Premises.** Where the premises have been irrevocably damaged, and are demolished and to be reconstructed this is covered by capital gains tax. The demolition is treated as a disposal, and any insurance proceeds are treated as the proceeds of the disposal. Any loss or gain are treated as a normal sale of the property. Those who own the premises privately may find that business asset taper relief is available on any gains arising.
5. **Revenue concessions.** HMRC has introduced a number of tax concessions to help businesses affected by flooding, in particular:
 - o Collection of tax will be deferred, and instalment arrangements agreed where financial hardship prevents payment on time, and debt collection proceedings will be suspended.
 - o Practical arrangements will be agreed where businesses have lost their records in the floods, and compliance checks and investigations planned or under way will be deferred.
 - o Penalties will also be cancelled where HMRC is satisfied that returns due have been filed late, or other deadlines have been missed due to flooding.

Disaster Planning:

It may now be necessary for all businesses at risk from flood damage to create a disaster plan. This should allow affected firms to minimise the disruption from any future flooding. We would be happy to discuss the creation and implementation of such a plan for your business – please call if you would like to discuss this in more detail.

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