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**TAILPIECE**

**EXPENSIVE OFFICES IN DIRECTORS' HOMES/GARDENS**



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**BY CHRIS HOLMES**

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Some companies have built offices in directors' homes or gardens, in some cases incurring significant costs, without fully appreciating the tax implications.

In a rather extreme example, a media service company spent over £200,000 on constructing an office in the director's garden. In addition to the usual office facilities it included an expensive cinema and sound system, stated to be used wholly, exclusively and necessarily for work purposes, and a sauna and jacuzzi.

The (likely) permanent nature of the structure meant that its ownership would be subsumed into the ownership of the land on which it was built. Consequently, to the extent that the cost of the building was borne by the company, the full cost will be a P11D benefit – as an asset given to the director. If it were temporary in nature, the ownership of the office could remain with the company but, as a structure, capital allowances would probably not be available.

To the extent that the various items within the building formed part of the structure, they would be treated in the same manner as the building costs described above. The sauna, jacuzzi, and any plumbing or electrical supplies would therefore be treated as part of the office build cost and, if borne by the company, a P11D benefit.



To the extent that other tangible assets were moveable, the company could have separate ownership - it will be a question of fact whether the cinema and sound system are integral to the building. Given the nature of his work, the director may very well require audio and visual equipment of very high quality, and therefore capital allowances should on balance be available for such equipment. However, as the office is in the director's garden, HMRC may find it difficult to accept that there is absolutely no personal use by the director or his family, and therefore its availability for private use may generate a further P11D benefit.

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Readers may however like to be reminded here of some of the topics covered in recent issues – and where to find them.

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