

Tax and accountancy advice for renewable energy businesses

At Dixon Wilson we have considerable experience in helping clients with renewable energy businesses. From the modest freeholder installing solar panels on their property to a country estate investing in a biomass boiler to a larger international group of companies, we have the expertise to help you.

Tax implications

We can advise on the tax and accounting implications of the setting up and running of the business, as well as the wider scale capital tax issues in having an interest in such a business.

There are three main phases to most renewable energy businesses:

Structuring

There are a wide array of options through which client's business can be undertaken and this also ties in with how the business will be financed. Taking the time to structure the business appropriately at the outset can be hugely beneficial further down the line.

We can assist you by:

- Ensuring that the business is undertaken in a suitable entity that will maximise tax reliefs but also provide flexibility for future growth and development;
- Providing advice in relation to financing the business, and the tax and accounting implications of the various options available;
- Advising on the Enterprise Investment Scheme for corporate entities, including the criteria to be met by the company and the tax incentives available to the investors in respect of their own income tax and capital gains tax positions;
- Assisting with the creation of the business entity as well as registration with HM Revenue & Customs and Companies House.

Development and installation

One thing which most renewable energy businesses have in common is that they generally will require significant upfront expenditure with returns spread over a period of time.

With such a large financial commitment from the outset it is essential that you maximise tax reliefs and we assist with this by:

- Ensuring that you identify and claim the maximum capital allowances available in respect of capital costs incurred, including any claim for 100% Enhanced Capital Allowances on certain approved types of renewable energy plant and machinery;
- Advising on the impact of claiming government incentives and tariffs on your ability to claim capital allowances;
- Identifying any revenue costs incurred during the development period and ensuring these are separately claimed to reduce your tax liability;
- Providing an analysis of your VAT position and, where appropriate, helping you register for VAT to ensure you recover VAT on the initial development and installation costs, as well as ongoing running costs.



Operation

A significant amount of management time is required during the development phase in obtaining the appropriate planning permissions, surveys and accreditations.

Once the business is up and running, we ensure you have a smooth annual process by assisting with:

- Advice on the accounting, VAT and tax treatment of grants received;
- Advice on the implications of private use of electricity generated in respect of accounting and VAT;
- The annual compliance requirements for your business, including the preparation of annual accounts, tax returns and annual returns;
- Providing a statutory audit of the company's accounts
- Assisting with quarterly VAT returns;
- Liaising with HM Revenue & Customs on your behalf.



Capital tax planning

The longer term benefits of having an interest in renewable energy business can be significant. Once the plant has been developed, the business can generate regular returns, often with minimal running costs, plus an asset with tangible value.

Various capital taxes will apply on the sale or gift of your business and can advise on the reliefs available and the steps to be taken to protect your wealth.

Inheritance tax

A transfer of a business by way of gift, either during lifetime or on death, can be subject to inheritance tax.

This can be relieved as follows:

- Where you have a direct interest in a renewable energy business then the value of that business should generally qualify for 100% Business Property Relief (BPR) from inheritance tax. This means that you can give your interest away, either during your life or on death, without the recipient paying inheritance tax on its value. You can also settle your interest on trust without paying inheritance tax.
- Alternatively, you may own land on which renewable energy plant has been developed. You could still be able to benefit from BPR on the value of the land depending on how the arrangement by which the business occupies the land is structured.
- Consideration should also be given to Agricultural Property Relief (APR) where there is an agricultural aspect to the land.

Capital gains tax

When a business is disposed of other than on death then any gain arising is potentially subject to capital gains tax.

There are ways of mitigating this:

- Entrepreneurs' Relief is available to reduce the rate of capital gains tax payable on the gain. We advise on the conditions that need to be met in order to qualify for relief.
- Business asset holdover relief is available to defer any gain when you transfer your business by way of a gift so that capital gains tax is paid only when the business is ultimately sold.
- If the business is carried out through a company and your shares qualified under the Enterprise Investment Scheme then any gain arising should be exempt.
- If the business fails and your interest becomes worthless in value then advice is required to ensure you claim the maximum tax relief available for your loss.

Regardless of the size or status of your business you should ensure that you have taken the appropriate advice to ensure you are maximising your tax reliefs within the business and protecting the value of the business in your own hands.