

Accounting for Dilapidations FRS 12 Assessments

Dilapidations – to cause or allow a building to fall into disrepair, as by misuse or neglect

To all Business Occupiers it is highly likely that property expenditure and liabilities will be second only to HR & Staffing. It is also likely that such liabilities will be overlooked until such a time that they present themselves. By careful planning and expert advice, such liabilities can be used to your advantage. Apart from tax benefits, there is also the significant impact such assessments can have on a company's accounts and therefore the potential success, or otherwise, of a sale or purchase.

What is an FRS 12 Dilapidations Assessment?

The Financial Reporting Standard 12 (FRS 12) allows for a dilapidations liability to be termed as an expense which in turn, can be included within the profit and loss account of the firm. Accordingly, it will then be excluded from the company's tax computation until it is spent.

In order for this to be successfully executed, three conditions must occur:

- There is a present obligation from a past event (i.e. signing of the lease).
- There must be an "outflow" as a result of said past event. Traditionally, this is fulfilled by the respective repairing obligations of the lease.
- The outflow must be measurable.

What are the pitfalls of an FRS 12 Assessment?

Significant publicity has surrounded improperly prepared assessments whereby the "measurable" outflow has not been substantiated. The assessment of dilapidations requires a realistic, knowledgeable and expert approach utilising a Dilapidations Expert from a specialist practice.

This expert approach will therefore ensure a robust and substantiated assessment utilising and appraising the various facets of Dilapidation matters to ensure scrutiny does not render the assessment worthless.

And the advantages?

Tax benefits together with the impact an assessment can have on a company's accounts and therefore, the success (or otherwise) of a company's sale or purchase.

3SIXTY Real Estate has an enviable record within the complex Dilapidations sector acting on behalf of occupiers including Travis Perkins Plc, Jelf Group Plc and Begbies Traynor. To find out more about this complex yet beneficial assessment process, contact one of our regional offices.



Our **Dilapidations Consultancy** provides the following core services:

- **Schedule Preparation**
- **Dilapidations Assessments**
- **Strategic Advice to mitigate liability**
- **Claim Negotiation**
- **FRS 12 Assessments**

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