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Shipping Containers

Businesses may own or acquire shipping or other similar containers, which may be used for the storage of equipment for use in the business, for accommodation or for letting to third parties.

This factsheet outlines the tax implications owners of such containers should consider.

Capital Allowances

Under general Capital Allowances principles, if an asset is a 'building' or 'structure' then capital allowances cannot be claimed.

In most cases it will be obvious whether an asset is a building or structure. For containers, this can be a grey area and depends on what the container is used for.

For Capital Allowances to be available, it is necessary to show that the container has a function in the business rather than simply being the setting, or premises, in which the business is carried on.

Where the container is not moveable or not intended to be moved in the course of the business, for example where this is the base or office, the container is the setting in which the business is carried on and, as such, Capital Allowances will not be available.

In contrast, where a container is moveable and intended to be moved for business purposes, then Capital Allowances will be available on the basis it has a function. Examples of this would include a container moved from one site to another to provide canteen and toilet facilities for workers or containers used to move goods safely from one location to another.

Containers which are used for storage purposes can be regarded as akin to miniature buildings. If a container is connected to a mains utility then it is clearly akin to a building and therefore does not qualify for Capital Allowances even though it is possible the container could be moved to another location.

If a container is not connected to a mains utility and is therefore used purely for the purposes of storage, it may be contended the container is providing a function similar to that of a container on a ship or a transporter.

Where a container is converted for use for accommodation of farm workers the treatment for Capital Allowances purposes will follow that of caravans which are treated as plant and machinery if they are provided by a farmer to house a farm employee even if it occupies a fixed site and is used solely for residential purposes. This treatment applies only to farmers.

The Capital Allowances treatment of containers is a debatable area, therefore it is necessary to highlight any areas of doubt to HM Revenue & Customs and provide full disclosure in order to protect the taxpayer against penalties.

Structures and Buildings Allowance (SBA)

Where the container is akin to a building and therefore does not qualify for Capital Allowances, it may qualify as a building or structure for the purposes of the Structures and Buildings Allowance (SBA). The SBA is a 3% deduction (2% pre April 2020) per annum from taxable profits on capital expenditure on structures or buildings used for a qualifying activity (broadly a trade, profession or vocation or a property business).

Classification of income – trade or rental?

Whether income received as a result of the provision of a container to a third party is classified as income from a trade or as rental income for tax purposes will normally depend on whether a service is provided.

For example, where a service of storage is provided to a third party such that a fee is charged for the use of a secure storage container for a specified period of time, then this is treated as a trade for Income Tax and Corporation Tax purposes.

If the container is let to a third party who occupies it for office space or uses it as accommodation, this is treated as rental income for Income Tax and Corporation Tax purposes.

VAT

Where the container is acquired for the purposes of a VAT registered business making taxable supplies, any input VAT incurred can be recovered. However the input VAT cannot be recovered to the extent that the container is used for the purposes of providing an exempt supply, such as where the container is let to a third party.

If a container let to a third party for the purposes of storage, the provision of storage is a standard rated supply.

If the business is mixed and provides both taxable supplies and exempt supplies, the input VAT associated with the exempt supplies may be recoverable under the partial exemption de minimis rules.

If you consider any of the above may be applicable to your business' circumstances, please contact your usual Chavereys contact who will be pleased to assist.

Does this issue raise any questions in your mind?

Would you like more information on a particular item?

Please ask your usual Chavereys' contact or ring our office.

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