

Main Capital Allowances

The 2008 Budget introduced a major overhaul of capital allowances. Please contact us to discuss the tax relief to which you are entitled to on any capital expenditure. This applies to plant and machinery in particular.

For limited companies subject to corporation tax expenditure is on or after 1 April 2008, for unincorporated businesses expenditure is on or after 6 April 2008.

Assets will be dealt with either in a main rate pool, a special rate pool or a single asset pool.

Allowance
Note

Main rate pool (plant and machinery)

New expenditure up to £50,000
100%
2

New expenditure over £50,000
20%
3 & 4

Unrelieved expenditure brought forward - writing down allowance
20%

Special rate pool (long life assets and integral features)

New expenditure up to £50,000
100%
2

New expenditure over £50,000
10%
3 & 4

Unrelieved expenditure brought forward - writing down allowance
10%

Energy efficient & environmentally beneficial technologies (ECA)
100%
5

Motor cars

Cars emitting not more than 110 g/km CO2

New until 31 March 2013
100%

On reducing balance (max £3,000 p.a. per car)
20%
6

Research and development relief
130% or 175%
7

Industrial buildings and qualifying hotels (IBA)
3% of building cost p.a.
8

Agricultural buildings (ABA)
3% of building cost p.a.
8

Commercial/industrial buildings in an enterprise zone (EZA)
100% of building cost
8

Business premises renovation allowance
100%

Flat conversions

100%

- Capital allowances allow the cost of capital assets to be written off against taxable profits. They replace the charge for depreciation in the business accounts, which is not allowable for tax relief.

- Where a business has a chargeable period of less than a year the maximum allowance is reduced or increased pro-rata.

- Where an accounting period spans the commencement date a pro-rata hybrid rate will be used for the year.

- When the value of the main and special pools are less than £1,000 they may be fully written off.

- From April 2008 a loss attributable to the enhanced capital allowance on ECA's may be surrendered for a cash payment of 19% of the loss surrendered, but limited to the greater of the companies PAYE and NIC liabilities for the period or £250,000

- With effect from 1 April 2009 for corporation tax purposes and 6 April 2009 for income tax the capital allowance treatment of business cars will be reformed. Expenditure on cars with CO2 emissions above 160 g/km will attract a 10% writing down allowance (wda) and expenditure on cars with CO2 emissions of 160 g/km or below will attract a 20% wda.

- The rate of relief for large companies will increase to 130% of qualifying R&D expenditure. In the case of SME R&D tax credit scheme, the rate of relief will increase to 175% for companies claiming enhanced deductions against profits.

- IBA and ABA are being phased out and will reduce by 1% p.a. until 2010/11 when they and EZA will cease.

Please refer to the 2008 Budget Report for further information relating to the April 2008 changes.

There have been many changes announced, please contact us for details that you consider apply in the future.