

Capital Allowances Super Deduction

Companies planning to make capital purchases between now and 31 March 2021 should consider delaying the purchase until 1 April 2021 onwards.

The Budget introduced a temporary increase in the relief available for qualifying expenditure on new plant and machinery incurred between 1 April 2021 up to and including 31 March 2023, companies can claim in the period of investment:

- a super-deduction providing allowances of 130% on most new plant and machinery investments that ordinarily qualify for 18% main rate writing down allowances
- a first year allowance of 50% on most new plant and machinery investments that ordinarily qualify for 6% special rate writing down allowances

A few key points to bear in mind:

- The relief is only available on the purchase of new, unused assets. Second hand assets don't count.
- Expenditure on cars does not qualify. Expenditure on vans will however.
- Assets acquired for leasing do not qualify for the relief.
- Only companies qualify for the new relief. Sole traders and partnerships do not.

If a company is considering making a purchase in the next few weeks, then there is a tax benefit that can be achieved by delaying the purchase until 1 April 2021 onwards. The following example illustrates this:

Example

A company wishes to purchase a new piece of machinery for £50,000.

If this was purchased on 31 March 2021, the company would be able to claim a deduction of £50,000 resulting in a tax saving of £9,500.

If instead the purchase was made on 1 April 2021, then the company would be able to claim a deduction of £65,000, resulting in a tax saving of £12,350.

Should you wish to discuss this in more detail then please get in contact with us.