Veritas Advisory®

Budget 2021
'Super' Capital Allowances

The Chancellor announced several temporary capital allowance incentives as part of the 2021 budget with a view to stimulate and bring forward business investment. Below we set out those changes, the opportunity to claim and key tax planning points to consider around any future property expenditure for the next two years:

What's New

- New super-deduction offering companies 130% first-year allowance (FYA) on qualifying main rate plant and machinery assets
- New special rate allowance offering companies a 50% FYA on qualifying special rate assets (including long life)

What Qualifies

- The super-deduction relates to certain business assets which are required for the purpose of the trade, such as, IT installations, security, firefighting systems, furniture and trade related fittings
- The special rate allowance relates to those business assets which are defined as integral to a building, such as thermal insulation, heating, cooling, ventilation, electrical and water systems
- Expenditure must be incurred from 1 April 2021 up to the end of March 2023, but excludes expenditure relating to those contracts entered into before 3 March 2021
- Claimable by corporate tax (CT) payers only, including owner occupiers and operational businesses
- Assets purchased unused and not second hand can qualify, so applies to properties acquired from a developer
- Leased plant and machinery were a notable exclusion, so landlord assets for single leased properties are likely to be excluded, but those assets deemed within landlord controlled areas required for the operation of a multi-tenanted property, such as offices, student accommodation and BTR would qualify, subject to the Finance Act

Benefit

- Claiming the super-deduction means that 25% to 33% of the asset cost is funded by the tax relief gained
- With CT rates increasing from 19% to 25%, utilising this temporary relief can greatly reduce your tax
- Example of year 1 benefit for a company spending £10m on qualifying main plant and machinery assets:

Previous (Before 1 April 2021)	With Super Deduction (After 1 April 2021)
Deducts: £1m using the Annual Investment Allowance*, leaving £9m Deducts: £1.62m using standard annual Writing Down Allowance at 18%	Deducts: £10m x super-deduction of 130% = £13m
Tax Saving: £2.62m @ CT rate of 19% **Saves £497,800**	Tax Saving: £13m @ CT rate of 19% **Saves £2.47m**

What to do

- Start to plan how to structure your property expenditure to maximise the claiming of these temporary tax incentives
- Claim the qualifying expenditure as a FYA before the end of March 2023
- All claims made will need a detailed cost analysis of the qualifying building expenditure to ensure it is claimed at the highest rates of relief available

Contact us to discuss how we can help you generate the maximum tax relief available on your planned property expenditure