

Key Personnel

Senior Partner

Robin Winter

Partners

Jonathan Adamson

Ian Palfrey

Mark Robertson

Matthew Struthers

Sandra Turnbull

Associates

Moira Kinloch

Lynn Marshall

Consultants

John Stewart

Andrew Wright

For full details please see our website at
www.hendersonblack.co.uk

The information in this leaflet is a general description only and specific advice should always be obtained before taking any action.

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CHARTERED ACCOUNTANTS

CAPITAL ALLOWANCES

ANSTRUTHER
CUPAR
PITTENWEEM
ST ANDREWS



Capital Allowances

The accounts of a business will normally detail a charge for depreciation on plant and machinery. Depreciation, however, is not allowed as a deduction for income tax and corporation tax purposes. Instead capital allowances can be claimed.

From 1 April 2008 for companies and from 6 April 2008 for unincorporated businesses an Annual Investment Allowance is available giving 100% relief on the first £50,000 of investment in plant and machinery and integral features, but not cars.

For qualifying expenditure over £50,000 allowances will be given at either 20% for plant and equipment in the general pool or 10% for the special rate pool comprising long life assets and integral features.

Integral features are:

- Electrical systems
- Cold water systems
- Space or water heating systems and powered systems of ventilation
- Lifts, escalators and moving walkways
- External solar shading and active facades

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In the following years 20% of the remaining balance of the general pool and 10% of the remaining balance of the special pool can be claimed. Once the remaining balance of either pool is £1,000 or less it can be claimed as a deduction.

Motor cars

100% allowances are available on motor cars with low carbon dioxide emissions of 110gm/km or less. For other motor cars only 20% can be claimed or £3,000 if lower.

The amount of tax relief claimed may have to be further reduced for any non business use of the car if the business is operated by a sole trader or partnership.

From April 2009 the government has announced new rules which will apply based on carbon emissions:

- 100% allowances if emissions are 110gm/km or less
- 20% allowances if emissions are greater than 110gm/km but no more than 160g/km
- 10% allowances if emissions are above 160gm/km

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In addition 15% of any lease rental payments will be disallowed for cars falling within the 10% rate.

Agricultural Buildings Allowances

Agricultural buildings allowances are being reduced by 1% each year until they are phased out completely from April 2011.

The same applies to Industrial Buildings Allowances.

Enhanced Capital Allowances

100% allowances are available on certain energy saving and water conservation plant and machinery.

Energy saving plant includes energy efficient boilers, lighting and pipe insulation. (see www.eca.gov.uk for list of qualifying expenditure)

Water conservation plant includes water meters, low flush toilets and efficient taps. (see www.eca.gov.uk for more details)

Capital allowances do not have to be claimed. Where losses or low profits occur, a claim for capital allowances can be restricted. This leaves a higher pool available to carry forward to the following year.

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