



CAPITAL ALLOWANCES 130% SUPERPOWER

Find out what Capital Allowances are, how they have changed and why this presents such a big opportunity for companies with funds available to invest in new assets for their business.



WHAT ARE CAPITAL ALLOWANCES?

Capital allowances is a tax relief which allows a limited company to deduct the cost of capital items from its profits. As a result, it reduces the amount of tax the company pays in the claim year.

For capital purchases up to £1m, a limited company can claim 100% of the purchase cost until 31st March 2023. After this date, the £1m allowance is reduced to £200k.

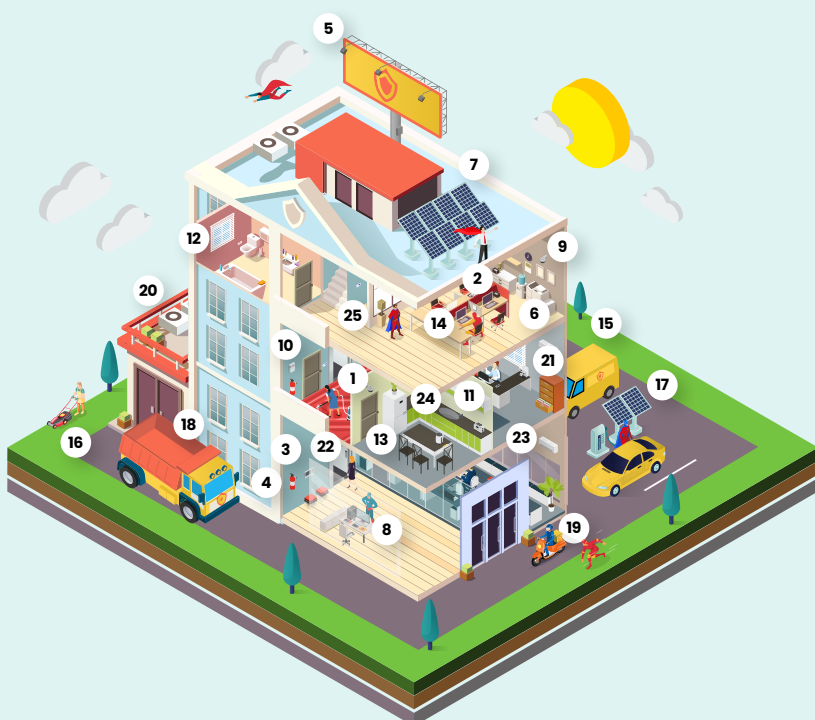
Items in excess of this value will receive either a 6% or 18% allowance per year. The rate depends on the type of asset purchased.

A limited company can make this claim for new and second hand capital assets, ranging from equipment used in the business, fitted kitchens, bathroom suites to lifts.

As an example, a company spent £200k on upgrading their office with new CCTV, an air conditioning system and a burglar alarm as part of a refurb. They could deduct the £200k from their profits which resulted in £38k of business money not being spent on tax.

WHAT'S THE BIG CHANGE?

A new capital allowances super deduction was announced in March 2021's budget.



If a limited company invests in a qualifying NEW asset, they are able to deduct 130%

There is no upper limit on the amount which can be claimed.

Purchases must be made between 1st April 2021 and 31st March 2023.

It only applies to certain assets such as plant and machinery, CCTV, kitchens etc.

WHY THIS IS SUCH A GOOD OPPORTUNITY

Limited companies with profits less than £250k should consider investing now and bringing forward any planned purchases of capital assets.

They can claim an extra 30% of the cost before 31st March 2023.

The table below shows an example of the same investment before and after the new super deduction:

In this example, the new relief has saved the business an additional c.£180k.

BEFORE APRIL 2021	POST APRIL 2021
Cost - £1.5m	Cost - £1.5m
Relief - £1m via annual investment allowance	Relief - 130% of £1.5m
Relief for 1 year - £1m	One-off Relief - £1.95m
SAVING £190K	SAVING £370,500K

