Capital Allowances Relief for companies

M+A Partners

Capital allowances can be claimed when purchasing tangible capital assets to use within a business, enabling the cost to be written off against taxable income.

2023 saw the introduction of new and updated measures to enable companies to lower their corporation tax bills, while helping to stimulate business investment. Measures including the full expensing 100% first year allowance, introduced to replace the super-deduction, have been welcome additions following the corporation tax rate increase on 1 April 2023.

Examples of qualifying assets

Capital allowances can be claimed on items that are kept for use within a business - this could be on ‘plant and machinery’ or on ‘integral features’.

Examples of plant and machinery, which may qualify for full expensing and super-deduction allowances include, but are not limited to:

+ Computer equipment and servers;
+ Tractors, lorries, vans;
+ Ladders, drills, cranes;
+ Office chairs and desks;
+ Electric vehicle charge points;
+ Refrigeration units;
+ Compressors; and
+ Foundry equipment.

Examples of integral features, which may qualify for the 50% first year allowance include, but are not limited to:

+ Solar panels;
+ Lifts, escalators and moving walkways;
+ Electrical systems, including lighting systems;
+ Hot and cold water systems; and
+ Air-conditioning and air-cooling systems.

The following assets are not qualifying plant and machinery or integral features:

+ Items that are leased;
+ Buildings, including doors, gates, shutters, mains water and gas systems;
+ Land and structures, for example bridges, roads and docks; and
+ Items used only for business entertainment.

However, **Structures and Buildings Allowances (SBAs)**, covering the construction and renovation of non-residential structures and buildings, may be available instead.

Click here for more details on SBAs:

Full Expensing 100% First-Year Allowance

Full expensing enables companies to claim 100% first-year relief for expenditure incurred between 1 April 2023 and 31 March 2026 on most new plant and machinery investments that normally qualify for 18% main rate writing down allowances. This has replaced the super-deduction allowance (see next page).

Click here for more details on Full Expensing 100% First-Year Allowance:

Annual Investment Allowance (AIA)

100% relief remains available for qualifying investments up to £1 million per annum. This is in addition to full expensing and 50% first-year allowances but companies may find Annual Investment Allowance less relevant given the generosity of full expensing.

Click here for more details on AIA:

50% First-Year Allowance (FYA)

This capital allowance for investments in integral features on expenditure incurred between 1 April 2021 and 31 March 2026 offers a 50% FYA for expenditure on new assets that would normally qualify for 6% special rate writing down allowances.

The super-deduction

The 130% super-deduction enables companies to claim 130% first-year relief for expenditure incurred between 1 April 2021 and 31 March 2023 on most new plant and machinery investments that normally qualify for 18% main rate writing down allowances.

Enhanced Capital Allowances (ECA+) and Structures and Buildings Allowance (SBA+)

Within Freeport and Investment Zone tax sites, companies can access ECA+ and companies, individuals and partnerships are able to benefit from an increased level of SBA+ for investments until 30 September 2026.

How M+A Partners can help

At **M+A Partners**, we are here to advise and support you in applying the new capital allowances measures. If you need any further assistance, then please get in touch with your usual contact at **M+A Partners** or speak to one of our experts.

Faith Pearce
Senior Tax Manager
Faith.Pearce@mapartners.co.uk

Sam Holloway
Senior Tax Manager
Sam.Holloway@mapartners.co.uk

Andrew Hart
Tax Manager
Andrew.Hart@mapartners.co.uk

01603 227600
enquiries@mapartners.co.uk
mapartners.co.uk

MA Partners LLP
7 The Close, Norwich NR1 4DJ

Norwich | Attleborough | Cromer

M+A Partners
mapartnersuk

M+A
Partners

Our Vision - to be the firm of choice, through our team fulfilling their potential and delivering exceptional client service

Norwich | Attleborough | Cromer