

Capital Allowances: Maximising tax reliefs for your fixed assets



Why do capital allowances matter to your business?

The onus falls upon the taxpayer to maximise their claim for qualifying allowances as HMRC will not guide your business towards the most beneficial form of relief.

Capital allowances provide corporation tax or income tax relief for some, but not all, capital expenditure. Capital allowances are sometimes referred to as “tax depreciation” because accounts depreciation is not tax-deductible. The UK’s tax system has a set of specific rules which provide tax relief for a range of assets with varying rates of relief.

The tax relief given by capital allowances is typically spread over a number of years and different types of expenditure attract allowances at different rates.

Relief for capital allowances stretches from 8% - 100% as a qualifying deduction for tax purposes. In certain circumstances, companies can also unlock cash tax repayments from HMRC to assist with cash flow.

What do we need to understand?

- What is the proposed or historic expenditure?
- What purpose was the expenditure incurred for?
- What are the range of reliefs which could apply?
- What is the optimal cashflow outcome for claiming reliefs?

What type of expenditure qualifies for plant and machinery allowances?

In order to qualify for plant and machinery allowances, expenditure must be:

- on qualifying plant and machinery, and;
- wholly or partly for the purposes of a qualifying activity;
- In addition, the person incurring the expenditure must own the plant and machinery as a result of incurring it.

Integral features

Integral features are a special category of plant and machinery. They are defined by statute and include, but are not limited to, electrical systems, cold water systems, space and water heating systems, air conditioning systems, and lifts.

Integral features represent an exception to the general rule that the definition of plant comes from case law. Certain legislative statute specifically provides that fixtures which are integral to a building will always qualify as plant.

Allowances other than plant and machinery

Capital allowances are also available for expenditure on:

- Patent rights
- Know-how
- Research & development
- Mineral extraction
- Dredging
- Assured tenancies
- Business property renovation

There are also enhanced reliefs available for investment in:

- Land remediation
- Certain classes of energy efficient plant and machinery (“ECAs”)

CHARTERED ACCOUNTANTS & BUSINESS ADVISERS

www.mooreandsmalley.co.uk

Offices in: Preston, Blackpool, East Midlands, Kendal, Kirkby Lonsdale, Lancaster, Liverpool, Manchester and Southport

Join our conversation @MooreandSmalley

How Moore and Smalley assist you to optimise your tax reliefs?

Our approach is based on being able to provide a fully integrated service consisting of:

- Accounting advice to ensure the accounting treatment optimises the relief
- Tax advice to identify and capture the optimal basis of tax relief
- Tax compliance services to ensure that claims are processed accurately and then are progressed by HMRC as quickly as possible
- Entitlement reviews
- Transaction advice - understanding new pooling and fixtures requirement

For more information contact



Kelly Quail
Tax Manager
T: 01772 821021
E: kelly.quail@mooreandsmalley.co.uk



Rachel Marsdin
Tax Partner
T: 01524 62801
E: rachel.marsdin@mooreandsmalley.co.uk



Tony Medcalf
Tax Partner
T: 01772 821021
E: tony.medcalf@mooreandsmalley.co.uk



David Bennett
Tax Partner
T: 01772 821021
E: david.bennett@mooreandsmalley.co.uk

Moore and Smalley LLP is a limited liability partnership registered in England and Wales: No.OC313896. Registered Office: Richard House, 9 Winckley Square, Preston, Lancashire PR1 3HP. The term “partner” indicates a member of Moore and Smalley LLP who is not in partnership for the purposes of the Partnership Act 1890. A list of members is available from our registered office. Registered to carry on audit work in the UK by The Institute of Chartered Accountants in England & Wales and details of our audit registration can be viewed at www.auditregister.org.uk for the UK and www.cro.ie/auditors for Ireland, under reference number C001370248. Authorised and regulated by The Financial Conduct Authority and details of our registration can be viewed at www.fsa.gov.uk/register/home.do under reference number 448716.

Moore and Smalley C.A. Limited is a wholly owned subsidiary of Moore and Smalley LLP, registered in England and Wales Company No. 5373155. Directors: Deborah Wood FCA & Christine Wilson FCA. Registered Office: Richard House, 9 Winckley Square, Preston, Lancashire PR1 3HP.

Moore and Smalley is a member of MHA, an independent member of Baker Tilly International. Arrandco Investments Limited is the registered owner of the UK trade mark for Baker Tilly and its associated logo.

Moore and Smalley LLP is a member of AISMA, Association of Independent Specialist Medical Accountants.

Moore and Smalley C.A. Limited is a member of AISMA, Association of Independent Specialist Medical Accountants.