SUPER-DEDUCTION FACTSHEET

- For expenditure incurred from **1 April 2021** until the end of **March 2023**, companies can claim **130% capital allowances** on qualifying plant and machinery investments.
- Under the super-deduction, for every pound a company invests, their taxes are cut by up to 25p. Please speak to your accountant to confirm how this tax relief will work for your business.

HOW IT WORKS

As a result of measures announced in 2021, businesses are benefitting from significant capital allowance measures:

- The super-deduction – which offers 130% first-year relief on qualifying main rate new plant and machinery investments until 31 March 2023 for companies only.
- Annual Investment Allowance (AIA) providing 100% relief for new plant and machinery investments up to a £200,000 threshold from 1 January 2022 for all businesses.

WHY HAS THE GOVERNMENT INTRODUCED A SUPER-DEDUCTION?

- Making capital allowances more generous works to stimulate business investment.
- The super-deduction give companies a strong incentive to make additional investments, and to bring planned investments forward.
- HMRC guidance can be found here.

WHAT ARE CAPITAL ALLOWANCES?

- Capital allowances let taxpayers write off the cost of certain capital assets against taxable income. They take the place of accounting depreciation, which is not normally tax- deductible. Businesses deduct capital allowances when computing their taxable profits.
- In translating its accounting profits into taxable profits, a business is usually required to 'add back' any depreciation, but can instead deduct capital allowances. For example, a corporation tax paying company with accounting profits of £1,000, depreciation expense of £200 and total capital allowance claims of £300 would make the following adjustment:
    - Add £200 (depreciation expense) to £1,000 (accounting profits) = £1,200.
    - Deduct £300 (capital allowances) from £1,200 = £900 (taxable profits).
    - Apply the appropriate tax rate, e.g. corporation tax at 19%: £900 x 19% = £171 tax due.
- The 130% super-deduction is a generous capital allowance for investments in plant and machinery assets, allowing investing companies to lower their corporation tax bills.

WHAT IS PLANT AND MACHINERY?

- Most tangible capital assets used in the course of a business are considered plant and machinery for the purposes of claiming capital allowances and include CNC machine tools and accessories.

Example:

- A company incurring £100,000 on a CNC machine tool decides to claim the super-deduction.
- Spending £100,000 on qualifying investments will mean the company can deduct £130,000 (130% of the initial investment) in computing its taxable profits.
- Deducting £130,000 from taxable profits will save the company up to 19% of that – or £24,700 on its corporation tax bill.

For details and advice please call 01603 760539 or email enquiries@haas.co.uk