ForrestBrown® FACTSHEET

Update on the super-deduction

31 March 2023 saw the end of the much-lauded super deduction – an incentive brought in as an attempt to soften the impact of the rise in Corporation Tax to 25%. With the UK economy presenting challenging conditions for businesses there was much industry pressure for the government to extend the scheme.

THE INTRODUCTION OF FULL EXPENSING

While the Chancellor didn't extend the scheme in his Spring Budget, he did announce full expensing – a capital allowance which provides 100% first year allowance on qualifying expenditure. In effect, this means that companies receive a 25% tax deduction for the capital expenditure on most plant and machinery.

The allowance is currently due to be in operation for the next three years but if the current economic climate prevails there is likely to be considerable industry pressure to extend the scheme.

FULL EXPENSING IN DETAIL

- The assets must be new and unused.
- The expenditure must be incurred by a company.
- There is no upper limit that can be claimed each year.
- Clawback provisions apply that are different from normal pooling.
- Leased assets are excluded, as are cars and expenditure on buildings (see *special rate*).

SPECIAL RATE

Although structural building elements will not qualify for full expensing, assets that normally qualify for special rate pool (such as electrical systems, heating and long-life assets) will qualify with a **50% first year allowance**.

ANNUAL INVESTMENT ALLOWANCES

In addition, the current Annual Investment Allowance (AIA) is also available and extends to partnerships and individuals. The maximum annual claim is £1m but elements that qualify as special rate receive the **100% first year allowance**.

FIND OUT MORE

If you have any questions regarding the reliefs available or any other capital allowances queries please contact ForrestBrown's Director – Capital Allowances, Peter Reynolds ATT (Fellow) ICIOB at p.reynolds@forrestbrown.co.uk.