



## What are Capital Allowances?

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Capital investment in your business creates an asset for the long-term, i.e. an asset which will last for more than one accounting period. As a result, they are normally recorded as a fixed asset within the business accounts.

Capital Allowances are akin to tax deductible expenses against business profits and they can be claimed on qualifying expenditure, on certain fixed assets, which are used in your business, including rental businesses.

The two main forms of capital allowance are:

1. Plant & Machinery Allowances, and
2. Structures & Buildings Allowances

### What can you claim on?

Assets that are purchased for business purposes can be included in your claim. Typically, these would include, IT equipment, plant and machinery, and commercial vehicles. Given how common these types of assets are; they are straight forward to identify.

What is more difficult to identify, and therefore, often overlooked, is qualifying expenditure on property and buildings which may be eligible for a Capital Allowance claim.

Do you already own a building or are you thinking about:

- Purchasing a new building,
- Constructing a new building,
- Extending or refurbishing an existing building, or
- Conducting leasehold improvements to a property that you rent?

There will undoubtedly be qualifying expenditure, which is eligible for a Capital Allowance claim, within costs relating to the above.

Unfortunately, there is no approved, definitive list which can be used to identify qualifying expenditure, but instead, whether an item qualifies is determined by reference to the facts; namely, the nature of the trade and the function that the asset performs within the trade.

Examples of expenditure that may qualify; are:

- Heating systems,
- Air conditioning,
- Lifts,
- Sanitary fittings,
- Electrical systems,
- Fire safety systems,
- Alarm systems, and
- Many more.

### How much can be claimed?

Capital allowances are calculated as a percentage of the overall qualifying expenditure. There are several different rates of Capital Allowance, with the main rates being:

Plant & Machinery	18%
Long Life Assets	6%
Structures & Buildings Allowances	3%

However, in order to incentivise certain business expenditure, HMRC offer generous reliefs; such as:

- Annual Investment Allowance – currently 100% relief on expenditure up to £1 million,
- Super-deduction - 130% is available for new plant and machinery on expenditure between 1 April 2021 to 31 March 2023, and
- [Electric Cars](#) – 100% relief on new and unused.

### Can Capital Allowances create a loss?

With the annual investment allowances being so generous, coupled with the availability of ‘super-deductions,’ it is possible that Capital Allowances could exceed taxable profits; thereby creating a taxable loss.

This loss could be carried forward to offset future trading profits, or it could potentially be used to generate a tax refund by offsetting against other income in the same tax year depending on an individual’s circumstances, or you may be able to carry it back and generate a tax refund against tax paid in the previous tax year.

### Making a claim

Our Capital Allowances service is delivered by one of our two Chartered Surveyors who have a wealth of experience in both relevant tax law and also, property construction. Our tax experts work hand in hand with our Chartered Surveyors so that our clients benefit from maximising the Capital Allowances claimed.

Our Chartered Surveyors will carry out a site visit and produce a detailed report to support the Capital Allowances being claimed; in addition, they are well versed at negotiating with HMRC where required.

### CONTACT US

If you have any queries or need any advice, please do not hesitate to contact us on:

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