

Capital Allowances

For limited companies from **1st April 2008** and unincorporated businesses from **6th April 2008**

	Allowance
Plant and machinery	
General pool:	
- expenditure up to £50,000 - First Year	100% (1)
- expenditure over £50,000 - First Year	20%
- subsequent writing down allowance	20% (2)(3)
Special rate pool (long life assets, integral features):	
- expenditure up to £50,000 - First Year	100% (1)
- expenditure over £50,000 - First Year	10%
- subsequent writing down allowance	10% (2)(3)
Energy saving plant and machinery	
	100% (4)
Motor cars	
New cars until 31st March 2013 with CO2 emission not exceeding 110gm/km	100%
Other cars writing down allowance	20% - max £3,000 p.a - (5)
Research & development	
Large Companies	130%
SME's	175%
Industrial buildings	
	3% straight line (6)
Agricultural buildings	
	3% straight line (6)
Intangible assets for companies	
	Amortisation per accounts or 4%
Enterprise Zone allowances for commercial premises	
	100% or 4%
Disadvantaged Areas Business Premises Renovation allowance	
	100%

Capital allowances write off the cost of capital assets against taxable profits. They are used instead of the depreciation in the accounts, which is not allowable as a tax deduction.

(1) For accounting periods shorter or longer than 1 year the £50,000 limit is pro-rata. There is a single £50,000 AIA limit for groups of companies and there is "anti-fragmentation" rules for "related" companies and businesses under common control. The AIA limit can be allocated between companies as they wish.

(2) There are transitional premiums for a "hybrid rate" where the accounting period spans the commencement date for the new regime.

(3) Historic WDA plant and machinery pools can claim a WDA of up to £1,000 where the pool is £1,000 or less.

(4) Companies that make losses attributable to 100% first year allowances on designated energy saving or environmentally beneficial plant and machinery can surrender the loss in exchange for the first year tax credit equal to 19% of the loss surrendered subject to a maximum of the greater of £250,000 or the company's total PAYE and NIC liability for the period concerned.

(5) Reducing to 10% in 2008/09 for cars with CO2 emission above 160mg/km.

(6) Industrial buildings and Agricultural buildings allowances are being phased out by 2010/11.

Previous Capital Allowances for 2007/08

2007/08	Writing Down Allowance	First Year Allowance
Plant and machinery	25% reducing balance	See note below
Long Life Assets*	6%	6%
Designated energy saving plant and machinery		100%
Motor cars	25% reducing balance (£3000 max)	100% on new cars with CO2 emission not exceeding 120gm/km
Industrial buildings	4% straight line	
Agricultural buildings	4% straight line	
Research & Development		130% for large companies 175% for SME's
Disadvantaged areas business premises renovation allowance		100% (from 11/4/07)

* Long Life Assets apply to some businesses spending more than £100,000 p.a. on certain assets with a useful life of 25 years or more.

Plant and machinery FYA

For small businesses: FYA of 50% is available (to 31/3/08 for companies). A small firm is defined as a business that satisfies any two of the following conditions: (a) turnover £5,600,000 or less (b) assets £2,800,000 or less (c) not more than 50 employees.

For medium-sized businesses: FYA of 40%. A medium firm is defined as a business that satisfies any two of the following conditions: (a) turnover £22,800,000 or less (b) assets £11,400,000 or less (c) not more than 250 employees.