

What a claim for Capital Allowances might look like - office refurbishment 2019/20

2018 Budget changes:

Annual Investment Allowance (AIA) - increased to £1,000,000 for 2 years from January 2019

Structural Buildings Allowance - 2% per annum for expenditure not qualifying for Plant & Machinery Allowances from April 2019

Expenditure considered	£2,500,000
Total Plant & Machinery Allowances	£1,250,000
Enhanced Capital Allowances	£150,000
Qualifying repairs	£250,000
Structural Buildings Allowance	£1,000,000
Total tax relief	£2,500,000

Notes:

1. The Annual Investment Allowance is first applied to Integral Plant & Machinery
2. Remaining £250,000 in General Pool written down over time
3. Structural Buildings Allowance applied to building works not otherwise relieved
4. Value of tax savings will be significantly higher for higher rate (40%) taxpayers
5. AIA & SBA will be available from date of first use
6. N.B. Final wordings in legislation not yet seen

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Capital Allowances

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Ten year cash flow illustration

Year	Integral P&M 6% Pool	General P&M 18% Pool	ECA*	Qualifying Repairs	AIA**	SBA***	Annual Claim WDAs****	Cash saving at 18% tax rate
1	£0	£250,000	£150,000	£250,000	£1,000,000	£20,000	£1,465,000	£263,700
2	£0	£205,000				£19,600	£56,500	£22,600
3	£0	£168,100				£19,208	£49,466	£19,786
4	£0	£137,842				£18,824	£43,635	£17,454
5	£0	£113,030				£18,447	£38,793	£15,517
6	£0	£92,685				£18,078	£34,762	£13,905
7	£0	£76,002				£17,717	£31,397	£12,559
8	£0	£62,321				£17,363	£28,580	£11,432
9	£0	£51,104				£17,015	£26,214	£10,486
10	£0	£41,905				£16,675	£24,218	£9,687

Total tax saved over time (extending beyond ten years) £450,000

Percentage of budget saved in Year 1 11%

Percentage of total cost saved over time 18%

*ECA - Enhanced Capital Allowances

**AIA - Annual Investment Allowance

***SBA - Structures & Buildings Allowance - 2% per annum

**** WDAs - Writing Down Allowances = total of annual claim on General P&M, ECA, Qualifying Repairs, AIA, & SBA

What a claim for Capital Allowances might look like - new GP surgery in 2019/20

2018 Budget changes:

- Annual Investment Allowance (AIA) - increased to £1,000,000 for 2 years from January 2019
- Structural Buildings Allowance - 2% per annum for expenditure not qualifying for Plant & Machinery Allowances
- Enhanced Capital Allowances to be removed 31st Dec 2020

Expenditure considered:	£3,500,000
Tax relief claim breakdown:	
Integral Plant & Machinery (6% WDAs)	£600,000
General Plant & Machinery (18% WDAs)	£400,000
Enhanced Capital Allowances	£100,000
Structural Buildings Allowance	£2,400,000
Total tax relieved	£3,500,000

Notes:

1. The budget of £3.5m is not untypical for a replacement surgery
2. The Annual Investment Allowance (AIA) covers all £1m Plant & Machinery
3. AIA is available for each year 2019 & 2020 but will then be reviewed
4. Enhanced Capital Allowances shown at a notional level of £100,000
5. Structural Buildings Allowance applied to building works not otherwise relieved
6. Value of tax savings will be less for a surgery trading as a company
7. N.B. Budget changes for AIA/ECA/SBA not yet seen in legislation

Ten year cash flow illustration

Year	Integral P&M 6% Pool	General P&M 18% Pool	ECA*	AIA**	SBA***	Annual Claim WDAs****	Cash saving at 40% tax rate
1	£0	£0	£100,000	£1,000,000	£48,000	£1,148,000	£459,200
2	£0	£0			£47,040	£47,040	£18,816
3	£0	£0			£46,099	£46,099	£18,440
4	£0	£0			£45,177	£45,177	£18,071
5	£0	£0			£44,274	£44,274	£17,709
6	£0	£0			£43,388	£43,388	£17,355
7	£0	£0			£42,520	£42,520	£17,008
8	£0	£0			£41,670	£41,670	£16,668
9	£0	£0			£40,837	£40,837	£16,335
10	£0	£0			£40,020	£40,020	£16,008

Total tax saved over time (extending beyond ten years) £1,400,000

Percentage of budget saved in Year 1 13%

Percentage of total cost saved over time 40%

*ECA - Enhanced Capital Allowances

**AIA - Annual Investment Allowance

***SBA - Structures & Buildings Allowance - 2% per annum

**** WDAs - Writing Down Allowances - total of ECA, AIA, & SBA

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