

## Super Deduction tax savings - a time-limited opportunity

Afilia

Capital Allowances

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### The new temporary tax reliefs

The 2021 Budget has introduced generous new temporary reliefs available until 31st March 2023.

A 50% First Year Allowance is provided for the Special Rate Pool (Integral Features) and a 130% Super Deduction for Main Pool (General Plant & Machinery). As an example in an office refurbishment this could equate to a 15% budget saving in the year of the expenditure.

Current shortages of building materials and labour - and (if required) slow planning consents - mean that an early start would be advisable to ensure completion before the deadline in 2023.

Capital Allowances within a £5m office refurbishment - typical example			
		First Year Claim	
Project budget	£5,000,000	↓	
Main Pool CAs	£2,000,000	£2,600,000	130% of base value
Special Rate Pool CAs	£1,000,000	£500,000	First year 50%
Annual Investment Allowance		£500,000	Remaining 50% of SRP
Repairs	£200,000	£200,000	
Remediation of contamination	£100,000	£150,000	150% of base value
Structures & Buildings	£1,700,000	£51,000	
<b>Total value of claim Year 1 at 19% tax rate</b>		£4,001,000	<b>£760,190</b>
<b>% of cost saved in Year 1</b>			<b>15.2%</b>
<b>Structures &amp; Buildings</b>	Tax value of claim over time		£313,310
<b>Total tax saved all allowances</b>			£1,073,500
<b>% of cost saved over time</b>			<b>21.5%</b>

The Year 1 budget saving of £760,190 or 15% makes an obvious difference to returns on capital invested. For many older properties these temporary tax reliefs may be a one-off opportunity for an update to improve their appeal. The example above shows the 19% corporate tax rate - 40% taxpayers would achieve double these tax savings.

Planning an upgrade is also a good opportunity to consider the building's energy performance (EPC rating). A future increase to the Minimum Energy Efficiency Standards (MEES) base level is a distinct possibility that could adversely affect many properties. Any improvements to insulation will also attract tax relief.

**Disclaimer: this article is not a substitute for professional advice**

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