THE TAX SUPER-DEDUCTION EXPLAINED

If you want to benefit from the super-deduction and invest in productivity but have better uses for your cash resources, they will still be eligible if financed on a hire purchase agreement, but not on a lease.

Capital allowances let businesses write off the cost of certain capital assets against taxable income. When tax is calculated, the depreciation deducted on the profit and loss account is "added back in" and capital allowances are deducted instead.

The 130% super-deduction is a new capital allowance for investment in new plant and machinery. There is also a 50% first year allowance for "special rate" assets.

This will encourage companies to invest in productivity-enhancing plant and machinery that will help them grow, and to make these investments now. If you are not a limited company or are purchasing used equipment see below for other allowances.

the tax super-deduction

Available to
Only companies that pay corporation tax

Available until
31 March 2023

Allowance
130% for equipment that would usually qualify for 18% first year allowance, and 50% for those at 6%

Limitations
New assets only. No cars.

annual investment allowance

Available to
All types of business including sole traders and partnersips

Available until
31 December 2021

Allowance
100% first year allowance

Limitations
Up to £1m annual expenditure
Excludes cars

standard capital allowance

Available to
All types of business including sole traders and partnersips

Allowance
Aside from special schemes, there is a main rate of 18% first year allowance for plant and machinery. There is a lower rate of 6% for special rate items such as integral features and long life items

Request your bespoke illustration now

Read more here - https://www.focus.finance/super-deduction/

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