

This technical note provides details of the changes announced in the Finance Acts 2008 and 2009. Throughout, where 1 April is used, this refers to companies and 6 April to individuals and partnerships.

Annual Investment Allowance (AIA)

- For expenditure incurred on or after 1 or 6 April 2008
- 100% allowance for expenditure on plant and machinery of up to £50,000 in a chargeable period, excluding cars
- Maximum allowance is proportionately reduced for chargeable periods of less than 12 months

First Year Allowances (FYA)

A temporary FYA of 40% is available for expenditure on plant and machinery incurred in the 12 month period from 1 or 6 April 2009. This in addition to the AIA of £50,000. It does not include expenditure on long life assets integral features and cars.

Writing Down Allowance (WDA)

- For chargeable periods ending on or after 1 or 6 April 2008, WDA reduced from 25% to 20%
- 'Hybrid' rate for periods

spanning 1 or 6 April 2008 to deal with change in rates

Small Plant and Machinery Pools

For chargeable periods beginning on or after 1 or 6 April 2008, where unrelieved expenditure in the pool is £1,000 or less, a WDA of up to that whole amount can be claimed.

Long Life Assets

For chargeable periods ending on or after 1 or 6 April 2008, WDA for expenditure on long life assets increased from 6% to 10%.

Industrial and Agricultural Building Allowances

- Is being phased out over three years with effect from 1 or 6 April 2008
- The WDA available will be as follows for chargeable periods commencing:
 - 1 or 6 April 2008 WDA of 3%
 - 1 or 6 April 2009 WDA of 2%
 - 1 or 6 April 2010 WDA of 1%
- Where the chargeable period spans 1 or 6 April, the rate will be apportioned

Enterprise Zone Allowances

- Allowances to be withdrawn from 1 or 6 April 2011
- Until 2011 an initial allowance



Capital Allowances

Technical Guidelines

of 100% is available for expenditure on industrial or commercial buildings by businesses with enterprise zones

Integral Features

- A new classification of expenditure on integral features of a building is introduced for expenditure incurred on or after 1 or 6 April 2008
- WDA of 10% will apply to expenditure in this new pool
- The list of assets is:
 - electrical systems(including lighting systems)
 - cold water systems
 - space for water heating systems, ventilations, air cooling and purification
 - lifts, escalators and moving walkways
 - external solar shading
 - active facades
- Expenditure on thermal insulation will qualify for 10% WDA

Cars

- 100% first year allowance (FYA) for expenditure on cars with low CO² emissions extended until 31 March 2013

- CO² limit on which FYA is due is reduced from 120g/km to 110g/km from 1 or 6 April 2008
- The rules for allowances on 'expensive' cars are replaced by ones based on CO² emission levels:-
 - < 110g/km 100%
 - 110 - 160g/km 20%
 - > 160g/km 10%

Until April 2009, the annual writing down allowance for cars costing more than £12,000 is restricted to £3,000.

First Year Tax Credits

- Loss making companies claiming 100% FYA on designated energy saving or environmentally-beneficial plant and machinery can surrender losses in exchange for a tax credit (cash payment)
- Tax credit is 19% of the loss surrendered, subject to a maximum of the greater of:
 - The total PAYE and NIC liabilities for the period or,
 - £250,000
- Applies to expenditure incurred on or after 1 April 2008

Advice that stands the test of time

This is intended to provide a guide to current tax issues. It is not a substitute for technical advice. If you have any queries, please do not hesitate to contact us.