

## SUPER-DEDUCTION TAX INCENTIVE

On 3rd of March 2021, the Chancellor, Rishi Sunak, announced a new 'Super-deduction' tax relief for companies to invest in new equipment. This was introduced to kick start the economy and promote a speeding up of business investment following the impact of the coronavirus pandemic.

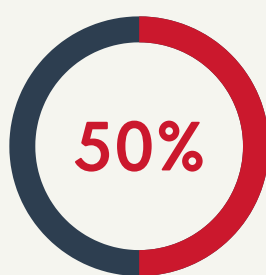
### WHAT IS IT?

The government aims to encourage investment and boost productivity with this new allowance, announced in the 2021 Budget.

As a result of measures announced at this Budget, businesses will now benefit from three significant capital allowance measures:



**The super-deduction**  
- for expenditure incurred from 1 April 2021 until the end of March 2023 - companies can claim 130% capital allowances on qualifying plant and machinery investments.



**The 50% first-year allowance (FYA) for special rate (including long life) assets until 31 March 2023 for companies**



**Annual Investment Allowance (AIA) providing 100% relief for plant and machinery investments up to its highest ever £1 million threshold, until 31 December 2021**

### BENEFITS AND EXAMPLE OF THE SUPER-DEDUCTION IN PRACTISE

Under the super-deduction, for every pound a company invests, their taxes are cut by up to 25p

For example, a company investing £10,000 can claim a deduction of £13,000 against taxable profits. This would result in corporation tax savings of £2,470 (£13,000 x 19%)

### WHO CAN CLAIM?

All companies that pay corporation tax and which invest in plant machinery on or after 1 April 2021 are eligible.

Sole traders, partnerships and limited liability partnerships do not qualify.

### WHAT ASSETS QUALIFY AS PLANT AND MACHINERY?

Most tangible capital assets used in the course of a business are considered plant and machinery for the purposes of claiming capital allowances. The capital investment must be in new and unused plant and machinery and there is no expenditure limit.

There is not an exhaustive list of qualifying assets. The kinds of assets which may qualify for either the super-deduction or the 50% FYA include, but are not limited to:

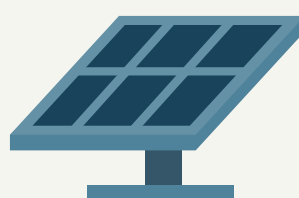
#### A) Eligible assets for the super-deduction:

- > Computer equipment and software
- > Office furniture
- > Machinery and tooling
- > Commercial vehicles such as tractors, lorries and vans (but not cars!)
- > Cranes and diggers



#### B) Eligible assets for 50% FYA (First Year Allowances)

- > Electrical and lighting system
- > Hot and cold-water systems
- > Air conditioning systems
- > Lifts
- > Solar shading



#### C) Ineligible assets

- > Second hand or used assets (only new, unused assets are eligible)
- > Cars
- > Buildings and structures (excluding integral features)

