

How is your business going to make the most of the new ‘super-deduction’ tax scheme announced in the Spring Budget?

A new ‘super-deduction’ scheme that provides faster tax relief for businesses*.

Overview

Businesses that invest in qualifying assets can benefit from up to 130% first-year capital allowance. The full tax relief is received against taxable profits in the tax year the asset is purchased, rather than over several years. This creates a cash flow benefit which would allow businesses to invest and grow.

Separately, the annual investment allowance of £1 million has been extended to 31 Dec 2021 and can be used for second-hand assets.

Rules of ‘super-deduction’ tax scheme

- Qualifying assets can be plant and machinery which are unused, not second-hand
- Scheme can also apply to investment in software
- No £ limit on the value of the qualifying assets
- Expenditure on cars is excluded but commercial vehicles are included in the scheme
- Relief is only available to companies within the charge to corporation tax

Product eligibility

- Plant and machinery acquired outright or under hire purchase contracts or long funding leases are eligible for the relief
- Plant and machinery acquired under finance or operating leases are not in scope for the scheme
- Lessors of assets under finance or operating leases cannot claim the super-deduction on those assets

Example of ‘super-deduction’

- A company incurring £1 million of qualifying expenditure in the tax year to 31 March 2022 decides to claim the ‘super-deduction’ allowance
- Spending £1 million on qualifying assets will mean the company can deduct £1.3 million (130% of the initial investment) from its taxable profits
- At 19% corporation tax rate, that is an immediate saving of £247,000 on its corporation tax bill
- Under normal capital allowance rules, the company would obtain only £34,200 tax saving in the first year

Close Brothers provides a range of flexible finance options enabling you to purchase assets and grow your business. Contact your Close Brothers representative to discuss your individual requirements.

*This note is for reference only. It is advisable that you seek independent tax advice from your accountant or tax adviser. For more information on this allowance refer to [HMRC website](#).