



## Capital Allowances

The current system of capital allowances took effect from 1 April 2008 (corporation tax) or 6 April 2008 (income tax):

### Annual Investment Allowance (AIA)

The first £100,000 of the year's investment in plant and machinery, except for cars, is allowed at 100%. This applies to any size of business, but there are provisions to prevent multiple claiming. Businesses are able to allocate their AIA in any way they wish; so it is quite acceptable for them to set their allowance against expenditure qualifying for a lower rate of allowances (such as long-life assets or integral features).

### Writing down allowance (WDA)

Any additional expenditure over the AIA level enters either the 10% pool or the 20% pool, attracting WDA at the appropriate rate. The special rate 10% pool applies to long life assets, the addition of thermal insulation to existing commercial buildings, and *integral features* of buildings, specifically:

- Electrical systems (including lighting systems)
- Cold water systems
- Space or water heating systems, powered systems of ventilation, air cooling or purification and any floor or ceiling comprised in such systems
- Lifts, escalators and moving walkways
- External solar shading
- Active facades (climate-responsive features)

The main 20% pool applies to most other plant and equipment, including cars (see below).

Businesses may claim a WDA of up to £1,000 where the unrelieved expenditure in the main pool or the special rate pool is £1,000 or less.

### Enhanced Capital Allowances (ECA)

E-mail: [help@clarkhowes.com](mailto:help@clarkhowes.com)  
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In addition to AIA, 100% first year allowance is available on energy saving or environmentally beneficial equipment. Where companies (only) have losses arising from ECAs, they may choose how much they wish to carry forward and how much they wish to surrender for a cash payment (tax credit payable at 19%).

There is a separate ECA scheme for electric and low CO<sub>2</sub> emission (up to 110 g/km) cars and natural gas/ hydrogen refuelling equipment. They still qualify for 100% first year allowance, but do not qualify for the payable ECA regime.

### **"Electric Vans"**

With effect from 1 April or 6 April 2010, there is a new 100% capital allowance for the purchase of new, unused (not second-hand) vans, which cannot produce CO<sub>2</sub> engine emissions under any circumstances when driven.

### **Buildings**

There is a phased withdrawal of industrial and agricultural buildings allowances, with a WDA (on building cost) of 1% for 2010-11, and complete withdrawal by April 2011.

A maximum 100% initial allowance is available for conversion of parts of business premises into flats, business premises renovation allowance and Enterprise Zone allowance. WDA of 20% applies to expenditure on which initial allowance is not claimed.

### **Cars**

Qualifying expenditure on cars with CO<sub>2</sub> emissions more than 110 g/km and up to 160 g/km is allocated to the main pool and attract 20% WDA. Cars with CO<sub>2</sub> emissions exceeding 160 g/km enter the special rate pool and attract WDA at only 10%.

Expenditure before April 2009 will continue to be subject to the old "expensive" car rules (with 20% WDA) for a transitional period of around five years.

Cars that have an element of non-business use will continue to be dealt with in single asset pools to enable the private use adjustment to be made.

