

Budget 2018 – Capital Allowances Changes

In Philip Hammond's second Autumn Budget, there were some welcome additions and some notable changes in respect of capital allowances. These are summarised below.

Structures and Buildings Allowances (SBA)

- A new 2% straight-line capital allowance is available for the construction of new non-residential commercial buildings and structures. The tax relief will also be available for renovations and conversions.
- The SBA will be restricted to the original cost of construction or refurbishment.
- The claims can be made once the building first comes in to use and the eligible expenditure must be incurred under contracts entered in to after 29th October 2018.
- There will be no balancing adjustment on sale of the building and the SBA will not qualify for AIA.
- Expenditure on residential property or buildings that function as dwellings will not qualify for SBA. The definition of "dwelling" will be consulted on prior to the introduction of the legislation.
- General pool and special rate pool capital allowances will be claimable on the qualifying fixtures within the building or structure.
- SBA will not be available on land costs or the costs of obtaining planning permission.
- The SBA claimed will be deducted from the asset base cost on disposal for CGT purposes.
- Consultation will be sought on the draft secondary legislation.

Annual Investment Allowance (AIA)

- The AIA will increase from £200,000 per annum to £1 million per annum from 1st January 2019 until 31st December 2020.

Enhanced Capital Allowances (ECA)

- The Energy Technology and the Water Technology lists will be updated to reflect developments in eligible technologies.
- The First Year Allowance in respect of ECAs will end from April 2020 onwards

Special Rate Pool Allowances

- The writing down allowance for qualifying plant and machinery will reduce from 8% to 6%. The new rate will be effective from 1st April 2019 in respect of corporation tax and 6th April 2019 for income tax.

First Year Allowances (FYA)

- The FYA introduced in November 2016 for expenditure incurred on electric charge-point equipment will be extended for four more years. The allowance will expire on 31st March 2023 for corporation tax and 5th April 2023 for income tax.

Cost of Altering Land to Install Plant

- Legislation will be introduced (effective from 29th October 2018) to clarify the scope of the existing tax relief for altering land specifically to install plant and machinery.



Contact Us

If you have any questions about the Budget changes or any other aspect of capital allowances, please contact one of the Yewell Consulting partners.

Chris Doyle MRICS CTA chris.doyle@yewell.co.uk **M: 07966 793930**

Patrick Murdock MRICS ATT patrick.murdock@yewell.co.uk **M: 07747 608854**

www.yewell.co.uk
info@yewell.co.uk

T: 020 8544 4810
F: 020 8544 4811