

Capital Allowances (Updated 20.05.08)

Plant and machinery - Annual Investment Allowance (AIA)

The AIA gives a 100% write-off on most types of plant and machinery costs, including integral features and long-life assets but not cars, of up to £50,000 p.a. Any costs over the AIA fall into the normal capital allowance pools at either 10% or 20%.

The AIA applies to expenditure incurred on or after 6 April 2008 (1 April 2008 for companies) by all businesses. Special rules apply for accounting periods straddling these dates. The £50,000 limit may need to be shared between certain businesses under common ownership.

Other plant and machinery allowances

The annual rate of allowance is 20% (25%) from 6 April 2008 (1 April 2008 for companies). The 20% rate also applies to cars, with an overriding maximum of £3,000 per car. Special rules apply for accounting periods straddling these dates. First year allowances are abolished except a 100% allowance may still be available on certain energy efficient plant and cars.

A new 10% rate applies to expenditure incurred on integral features and on long life assets on or after 6 April 2008 (1 April 2008 for companies). Long life asset expenditure brought forward will obtain the 10% rate (6%), with special rules applying for accounting periods straddling these dates.

Industrial and agricultural buildings and hotels

The annual rate of allowance is 3% (4%) from 6 April 2008 (1 April 2008 for companies). Special rules apply for accounting periods straddling these dates.