

Capital Allowances

Budget 2018

The significant Capital Allowances changes announced in the Chancellor's Autumn 2018 Budget could provide a big incentive for businesses to invest in those capital projects which may have been delayed due to the uncertainty of Brexit. The key messages in the Budget are outlined in this document.

Annual Investment Allowance

The Annual Investment Allowance (AIA) will increase on 1 January 2019 from £200,000 to £1,000,000 for two years. This increase should encourage investment in plant and machinery over the next two years as it should reduce the cash flow burden on capital intensive businesses. Transitional rules will apply where a business has a chargeable period which spans 1 January 2019.

Structures and Buildings Allowance

A new Structures and Buildings Allowance (SBA) for non-residential structures and buildings has been introduced which is intended to encourage capital investment. Relief will be given at a flat rate of 2% over 50 years for new commercial structures of buildings where the contract for the construction works is entered on or after 29 October 2018. The relief will also include renovations or conversions of existing commercial buildings or structures.

Writing down allowances and AIA will remain available for expenditure on qualifying integral features and fittings of structures or buildings. SBA expenditure will not qualify for AIA.

SBA provides greatly desired tax relief where no relief has previously been available for the majority of the investment in commercial structures and buildings.

Enhanced Capital Allowances

Enhanced Capital Allowances (ECAs) are being removed from April 2020. ECAs attract first year tax credits of 100% for products on the Energy and Water Technology list. Businesses with large capital projects (in excess of the AIA) will need to incur their qualifying ECA expenditure before April 2020.

Reduction of special rate writing down allowance

From April 2019 the writing down allowance on special rate expenditure including thermal insulation and integral features will be reduced from 8% to 6%.



Clarification of allowances for costs of altering land

Legislation is being introduced to clarify that allowances are intended to relieve the cost of altering land necessary to install only plant or machinery eligible for capital allowances. They are not intended to relieve the cost of altering land to install assets (most buildings and structures) that are ineligible for capital allowances.

First-year allowance for electric charge-points

100% first year allowances has been extended to expenditure incurred on the development and installation of Electric Vehicle Charge-Points in order to encourage the use of electric vehicles.

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