

Clarification on possible benefits from the new super deduction rules
May 2021

Super Deduction Capital Allowance

Announced in the last budget, the Super Deduction Capital Allowance means that from April 2021 to April 2023, a 130% super-deduction capital allowance would apply on qualifying plant and machinery investments made by a limited company (this does not apply to sole traders or partnerships).

Essentially the super-deduction will allow companies to cut their tax bill by up to 25p for every £1 they invest.

Things are never this simple, so we wanted to look at how this could help hospitality businesses.

Example

During the year from 1 April 2021 to 31 March 2022 Year-end a company purchases £50,000 of 'qualifying assets'*. They could claim tax relief at 130%. In other words, the £50,000 purchase of assets is increased by 30% for tax allowances relief. Therefore, £50,000 x 130% = £65,000 tax allowance relief. E.g. 30% of £50,000 = £15,000 extra tax allowance relief.

Super Deduction 130% Example

Profit of	£100,000
Less	
Super Deduction - <u>£(65,000)</u> on a spend of £50,000	
Taxable Profit -	£35,000 £35,000 x 19% company tax rate = £6,650 tax to pay

* 'Qualifying assets' will include all items of Plant and machinery fixed assets. This should or will include expenditure on Public House 'specific' Fixtures and Fittings from 1 April 2021 and they must be brand new assets. This will have to be checked for each client when there is a claim to ensure we can validate the Super Deduction allowance. In essence, most assets should be allowable. However, any general refurbishment work will not be included.

If an asset is disposed of at a future date where the 130% Super Deduction was applied, then a reversal deduction of this 130% will be charged on the sale proceeds received giving rise to additional tax payable.

Conclusion

Overall, the new allowance could provide an attractive incentive for businesses looking to make capital investments in the short to medium term.

If you're not sure if your plans would qualify, get in touch with your Roslyns BDM who can check with our tax teams.

You can check the government guidance [here](#)

We hope this helps,

The team at Roslyns