MITSUBISHI HC CAPITAL UK

2023 Budget Full Expensing Allowances

Following commitments in the Autumn Statement 2023, the UK government introduced new capital allowances to better incentivise business investment in productivity-enhancing plant and machinery. Companies across the UK will be able to write off (fully expense) the full cost of qualifying main rate plant and machinery investment in the year of investment, supporting businesses to invest and grow.

This document should not be considered as tax advice, you should seek your own tax advice prior to making any final decisions in relation to acquiring any assets.

New and straightforward full expensing rules offer cash flow benefits which are particularly important in a high interest rate environment where companies are facing higher costs. These incentives, used with asset finance to purchase machinery and plant, could help your company grow.

What are the benefits of capital allowance?

These recent tax incentives set out by the Chancellor in the Autumn 2023 budget aim to encourage investment and boost productivity for UK businesses. The allowance reduces the cost of expenditure and gives a sense of certainly when planning ahead for long term asset investment. The advantageous cash injection encourages business growth and productivity whilst helping to escalate your move towards net zero and the acquisition of newer, greener plant and machinery.

What are the new First Year Allowances?

The new ‘full expensing’ reliefs for qualifying capital expenditure incurred from 1 April 2023 whereby companies can now claim:

1. A 100% First Year Allowance (FYA) on most new plant and machinery investments that would normally only qualify for the 18% main pool writing down allowances;

or

2. A 50% FYA on assets that would normally only qualify for 6% special rate pool writing down allowances.

This means under full expensing companies are rewarded with up to:

25p off tax bills for every £1 that’s invested, which amounts to a tax cut of over £10 billion per year

Qualifying plant and machinery

Includes:

- ✓ Cranes, excavators, diggers
- ✓ Plant for onward lease/hire where it is provided <u>with</u> an operator
- ✓ Commercial print press
- ✓ Hot and cold-water systems
- ✓ Compressors
- ✓ Foundry equipment
- ✓ Electrical & lighting systems
- ✓ Solar Panels
- ✓ New electric and zero-emission cars
- ✓ Computer equipment & software
- ✓ Tractors, lorries, vans
- ✓ Ladders, drills, cranes
- ✓ Office chairs & desks
- ✓ Electric vehicle charging points
- ✓ Refrigeration units

Excludes:

- × CO2 Emitting Cars
- × Assets held for leasing
- × Second hand assets or assets that have been used
- × Assets provided on:
  - Operating lease
  - Finance lease
  - Contract purchase or similar arrangement (with some possible exceptions)

Sustainable investments

Permanent full expensing also provides further support for companies that want to decarbonise by investing in solar panels and heat pumps, and for companies that want to invest in newer, greener plant and machinery.

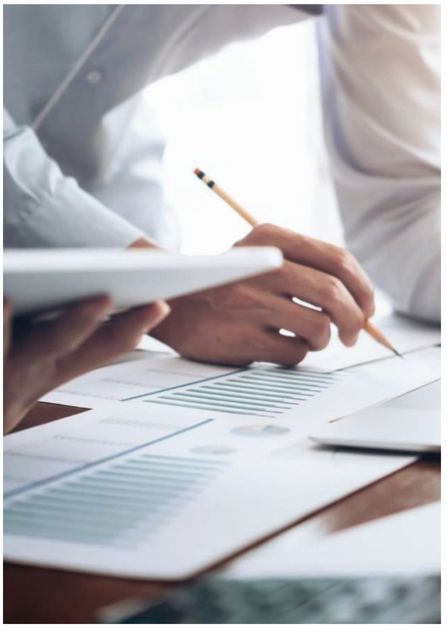
What can I claim the enhanced FYAs on?

The new FYAs can be claimed by incorporated businesses that are subject to corporation tax on expenditure on qualifying plant and machinery investments. Customers should be able to claim this on new assets acquired under hire purchase or conditional sale type arrangements, subject to the person named in the contract being the person paying the amounts due under the contract.

Disposals

Subsequent disposals of assets captured by the new FYAs are treated differently to standard disposals. Disposal receipts should be treated as immediate balancing charges (taxable profits).

Further HMRC guidance on this can be found (here).



Illustrative Example

- A company entering into a HP agreement for £1m of qualifying expenditure decides to claim the 100% FYA
- The company deducts £1m (100% of the initial investment) in computing its taxable profits
- Deducting £1m from taxable profits will save the company up to 25% of that – or £250,000 – on its corporation tax bill
- If the company later disposes of the asset for £0.2m in 2025, the disposal proceeds will be treated as taxable profits in the year of sale

Contact Us:

General Enquiries
E: info@MitsubishiHCCapital.co.uk

Materials Handling General Enquiries
E: materialshandling@MitsubishiHCCapital.co.uk

Further HMRC guidance on Full Expensing can be found (here).

This document should not be considered as tax advice, you should seek your own tax advice prior to making any final decisions in relation to acquiring any assets.