



## Changes to Capital Allowances

Updated June 2007

Capital Allowances are the tax relief available for the purchase of plant and machinery, office and computer equipment, car and so on.

Some of the expected changes to purchases of assets other than cars are outlined below. (For cars see our separate Fact Sheet – Business Motoring Update.)

### Reduced writing down allowances for plant and machinery

From 2008-09, writing down allowances (WDA) on qualifying plant and machinery (P&M) will be reduced from 25% to 20% pa. The reasoning for this change is the Government's belief that 20% is more akin to the appropriate economic rate of depreciation of P&M.

### Fixtures integral to a building

For fixtures which are 'integral to a building' we will see a new WDA of 10%. In his speech on Budget Day, Gordon Brown noted that the rates are 'based on how long an asset will actually last'. The Budget information was short on detail as to exactly what will fall into the 10% rate although commentators are guessing that it is likely to include fixtures such as sanitary installations, heating, cooling and hot-water systems which would normally, under the existing regime, qualify for relief at 25% a year.

### Industrial and Agricultural Buildings Allowance

In a surprise move the industrial and agricultural buildings allowances (IBA and ABA) regimes will gradually be phased out and finally withdrawn in 2011. Most balancing events occurring after 21 March 2007 will not give rise to balancing adjustments.

### Annual Investment Allowance

A new **annual investment allowance** (AIA) will be introduced from 2008-09 for expenditure of up to £50,000 on qualifying P&M of small and medium size businesses. Further details are to be announced.

---

**BresnanWalsh**

Chartered Accountants & Registered Auditors

Principal: Peter Taaffe FCA CTA

3 Temple Square Liverpool L2 5BA t: 0151 236 1494 f: 0151 258 1516  
e: [mail@bresnanwalsh.co.uk](mailto:mail@bresnanwalsh.co.uk) w: <http://www.bresnanwalsh.co.uk/>