

Budget 2016 - Capital Allowances Changes

In today's Budget, George Osborne's 8th, there were just a few changes to capital allowances.

However I have also included brief details of other changes that may impact you.

Business Premises Renovation Allowance (BPPRA)

This 100% allowance for converting vacant properties in designated disadvantaged areas will end, as planned, from 1 April 2017 (Corporation Tax) and 5 April 2017 (Income Tax).

Enterprise Zones Allowances (EZA)

There are always changes to this regime and plans for new Enterprise Zones (EZ's) have been announced, as noted below. The Government also confirmed that EZA will apply for 8 years from the creation of each qualifying zones.

As a reminder, EZA is a 100% allowance available to companies installing plant and machinery in designated assisted areas. The new or extended EZ's that will attract the 100% allowance are noted below. Unfortunately EZA is not available to a property business.

- Marine Hub, Cornwall
- Brierley Hill, Dudley
- Loughborough and Leicester
- Sheffield City to be extended
- Coleraine, Northern Ireland
- Port Talbot, Wales – subject to agreeing the boundaries with the Welsh Assembly

All of the above should obtain the 100% EZA.

Annual Investment Allowance (AIA)

Just as a reminder, the 100% AIA became £200,000 on 1 January 2016 and will remain at that level for the length of this Parliament.

Enhanced Capital Allowances (ECA)

There will be an update to some of the qualifying products lists and underlying criteria in Summer 2016. No further details are currently available.

Non Capital Allowances Changes

By no means exhaustive, the following may have an impact on you.

Corporation Tax Rates

- As previously announced, Corporation Tax (CT) rates will fall to 19% from 1 April 2017.
- The next CT reduction, from 1 April 2020, will now fall to 17%, not 18% as previously planned.

SDLT

- Having changed SDLT for residential properties last year, a similar slicing approach will be adopted for commercial property purchases from 17 March 2016.
- This will see the first £150,000 at 0% SDLT, the next £100,000 at 2%, then rising to 5% for the remaining consideration.
- The current top rate is 4%, so this will see an increase for most large transactions, but all freehold transactions below £1.05 million will pay the same or less in SDLT!

CT Losses

- For losses incurred on or after 1 April 2017, companies will be able to use carried forward losses against profits from other income streams or from other companies within a group.

- Also from 1 April 2017, CT losses carried forward will be restricted so that only 50% of the losses can be offset against the amount of profit.
- The restriction will only apply to large companies e.g. those with profits in excess of £5m.

CT Interest Deduction

- To be introduced from April 2017, there will be a restriction on the tax deductibility of corporate interest expense to 30% of a group's UK earnings before interest, tax, depreciation and amortisation (EBITDA).
- This will target large businesses so there will be a de-minimus group / company threshold of £2 million net of UK interest expense.

Business Rates

- From 1 April 2017, Small Business Rate Relief (SBRR) will increase so a businesses with a property with a rateable value of £12,000 and below will receive 100% relief.

Contact Us

If you have any questions about the Budget changes or any other aspect of capital allowances, please contact one of the Yewell Consulting partners.

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