

## New capital allowances rules (Lecture B1272 – 15.43 minutes)

Ritchie Delivery Ltd, which is not a member of a group, runs a successful transport business. In the summer of 2021, the company's directors decided to expand its operations since trade had increased substantially because of growing demand during the COVID-19 pandemic.

During the year ended 31 March 2022, the company incurred the following expenditure:

<u>Date</u>	<u>Asset</u>	<u>Expenditure</u>
September 2021	Four new lorries	£648,000
October 2021	Seven second-hand forklift trucks from Insolvent business administrator	£36,800
November 2021	New solar panels for warehouse roof	£410,000

At the end of the previous accounting period, Ritchie Delivery Ltd had a tax written down value of £375,000 on its main capital allowances pool and £25,000 on its special rate pool. The capital allowances claim for the present accounting period are as follows:

	<u>FYAs</u>	<u>Main pool</u> £	<u>Special Rate</u> £	<u>Allowances</u> £
WDV b/f		375,000	25,000	
WDA (18%/6%)		(67,500)	(1,500)	69,000
<u>AIA expenditure</u>				
Forklift trucks		36,800		
Solar panels (NOTE)			410,000	
AIA (100%)		<u>(36,800)</u>	<u>(410,000)</u>	446,800
<u>Super-deduction expenditure</u>				
Lorries	648,000			
FYA (130%)		<u>(842,400)</u>		<u>842,400</u>
WDV c/f		<u>307,500</u>	<u>23,500</u>	
TOTAL				<u>1,358,200</u>

NOTE: The cost of the solar panels represents special rate expenditure. Since the panels are new, they qualify for the temporary 50% FYA. However, because Ritchie Delivery Ltd has sufficient AIA capacity, it is preferable to claim a 100% AIA on them instead.

As far as the lorries are concerned, they will need to be tracked individually (because of the clawback provisions when they are sold).

*Contributed by Robert Jamieson*