

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