

## Budget 2017 - Capital Allowances Changes

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In Philip Hammond's first Autumn Budget, there were a few tweaks to capital allowances, as noted below.

Of more interest may be the removal of CGT indexation for companies and for non-resident landlords, the move into the corporation tax regime.

### Enhanced Capital Allowances (ECA)

- The list of designated energy-saving technologies qualifying for an ECA, will be updated in December 2017.
- The list will be updated to introduce evaporative air coolers, saturated steam to electricity conversions and white LED lighting modules for backlit illuminated signs.
- Two categories will be removed: localised rapid steam generators and biomass fired warm air heaters.
- The qualifying criteria for 9 current technologies will be modified.
- As a reminder, ECAs provide a 100% first year allowance and are available to all tax payers.

### First Year Credits

- For loss making companies (so not individuals, partnerships, non-residents etc), a credit is also available in lieu of claiming ECA.
- This is currently 19%, but will fall to two thirds of the current CT rate of 19% from 1 April 2018.
- Assuming this is rounded upwards as is the current rate, this will mean a new credit rate of **13%**.
- This will fall again when CT rates are due to fall to 17% in 2020.
- The change to the credit is predicted to have a negligible impact on the Exchequer, showing how little companies actually benefit from this credit.

Gas Refuelling Equipment and Low Emission Goods Vehicles – These benefit from a 100% first year allowance and this will be extended from April 2018 for a further 3 years.

Annual Investment Allowance (AIA) - The 100% AIA remains at £200,000.

Other potentially relevant points for property owning companies:

### Corporate Indexation Allowance (CII)

- In relation to chargeable gains made by companies, CII will be frozen from 1 January 2018.
- Therefore, no relief will be available for inflation accruing after this date.
- This brings the corporate regime in line with income tax.

### Non Resident Companies

- Following consultation, from April 2020 income that non-resident companies receive from UK property will be chargeable to Corporation Tax, rather than income tax.
- In addition, gains on non-resident disposals of UK immovable property accrued on or after April 2019 will be brought within the scope of UK tax.
- Re-basing will apply so that the gain before this date is not taxed.



## Contact Us

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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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