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# Annual Investment Allowance - Potentially only £381,250 for March 2016 year ends

The Budget speech this March included the news that the Annual Investment Allowance (AIA), was to be doubled from £250,000 to £500,000 with immediate effect, as well as extending the scheme to the end of 2015. This means potentially only £381,250 AIA for March 2016 year ends, if the rate drops back to £25,000 on 1 January 2016.

The AIA helps thousands of businesses since it offers tax relief at 100 per cent on qualifying expenditure in the year of purchase, and the increased allowance means that farmers and agricultural businesses can now deduct up to £500,000 from their taxable profits for a limited amount of time.

The scheme only runs until the end of 2015 so business owners are being urged to plan ahead to ensure that any purchases of plant and machinery for the business are made as tax efficiently as possible to make full use of this increased allowance. They should also consider bringing forward any planned purchases whilst the higher levels are still available.

For example:

A company with a chargeable period from 1 April 2015 to 31 March 2016 would calculate its maximum AIA as:

▪ the proportion of the period from 1 April 2015 to 31 December 2015, which is  $9/12 \times £500,000 = £375,000$ , and

▪ the proportion of the period from January 2016 to 31 March 2016, which is  $3/12 \times £25,000 = £6,250$

The company's maximum AIA for this straddling period would be the sum of both proportions, which would be £381,250. But the actual expenditure from January 2016 is limited to £6,250 because it reverts back to the reduced AIA levels.

## Get expert advice

At Smailes Goldie, our ARA specialists can provide expert tailored advice on how to take full advantage of this extended offer by investing in plant and machinery for your business. For more information on AIA and how we can help your business benefit, please contact us.



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