6 months left to take advantage of tax saving with the Government Super Deduction

The Government's Tax Relief **"Super deduction"** was introduced in **April 2021.** It will end in a little over 6 months time on the **31st March 2023**.

Saving on your Corporation Tax bill

This special scheme was introduced during the peak of the COVID-19 pandemic. It was designed to encourage growth and expansion in the manufacturing industry, by offering large tax incentives against Corporation Tax. We are approaching the end of this tax relief window, with around 6 months of time left before this closes. For delivery of large machinery, such as our **Press Brakes**, **Guillotines**, **Lasers** etc, the timeline is closing up very quickly.

The idea behind the incentive is that much like grants, if a business is investing, then long-term it should be growing. This is as part of the package of measures brought in during the pandemic to support businesses. There is still time to make use of this additional tax relief on new machinery purchases.

How does the Super Deduction special rate work?

The Super Deduction introduced a 130% capital allowance on qualifying plant and machinery investments. This is a huge boost to the potential cash saving of an investment. The usual Annual Investment Allowance (AIA) is 100% on up to the first £1,000,000 investment. With the Super Deduction you gain an additional 30% over the AIA.

This 130% rate is also uncapped, so there is no upper limit on how much you can claim back based on investments. Usually, the AIA is capped at £1m per year.

A simplified example of the Super Deduction in action

Below is an example to show the difference this benefit can offer:

Let's assume that a business has a taxable profit of £100,000 at the end of their financial year. We can compare how this new 130% relief compares to the standard 100% AIA if they make a £10,000 investment.

	Annual Investment Allowance (100%)	**Super Deduction (130%)**

Taxable Income	**£100,000**	
Investment Made	**£10,000**	
Tax Relief Available	**£10,000**	**£13,000**
Taxable Profit (19%)	**£19,000**	**£16,530 (£2,470 Saving)**

As seen above, the Super Deduction will allow companies to cut their tax bill by up to **25p for every £1** they invest.

This saving can be further scaled up, depending on the size of the investment;

- If the investment was £100,000, then it's £24,700 of savings.
- If the investment was £1,000,000, then it's £247,000 of savings.

Clearly a large potential for savings.

Qualifying Expenditure

For a full breakdown of what can be claimed under the scheme, check the [Government's fact sheet here]. In summary however, the deduction can be used on any new plant machinery that has been purchased in this financial year. It cannot unfortunately be used on 2nd hand machinery, although you can still make use of the 100% AIA for such purchases.

Spread the cost with finance options

While rising inflation has caused interest rates to start to climb, there are still some really competitive finance options available. Allowing you to spread the cost of 2, 3, 5 or even 7 years. Meaning you can utilise the machinery now, while spreading the cost across the working life of the machine. Speak to us if you'd like to look into finance options to invest in further machinery.

If there are any machinery purchases in consideration for your business, now is the best time to invest for capital relief. Speak to our team of machinery consultants to discuss your requirements on 01432 346 576.