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Act now to beat Investment Allowance reduction

Farmers need to act now if they are to gain maximum tax relief on capital expenditure on plant and machinery installed within buildings, before the regulations change in April 2012 and allowances are cut by a massive £75,000, warn agricultural building specialists Simpson & Allinson.

For farmers contemplating erecting new buildings containing plant such as milking machines, grain drying and handling equipment or vegetable processing machinery, the changes will have a major impact on the amount of tax relief for capital expenditure that can be claimed.

Whilst there is no relief available on the building itself, there is a tax relief allowance available on any plant and machinery installed within the new building. At present the Annual Investment Allowance (AIA) for capital expenditure tax allowance is £100,000, so allowing businesses to claim 100% tax relief on the first £100,000 of taxable profits that are invested in the new plant.

However, this is all set to change as from April next year, when the AIA will be reduced to just £25,000 on the 1st April for limited companies, and the 6th April for other businesses.

“This will obviously have a considerable impact on future potential tax bills and make investing in new plant far less attractive from a tax perspective,” states Simon Pelly of Simpson & Allinson.

“We would strongly recommend that farmers considering investing in new dairy, grain or vegetable buildings that will contain eligible plant, should start planning now and speak to us and their accountant as to how they can maximise their tax relief benefits before the regulations change.”

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