

## Increased Capital Allowances

### IT expenditure encouraged by increased Capital Allowances

**In the Chancellor of the Exchequer's recent Budget statement increased Capital Allowances (CAs) were announced, uplifting rates from the existing 20% to 40% in the first year.**

This is a government tax incentive to encourage companies to invest in Plant & Machinery (which includes IT hardware and software), in the current tax year. This means 40% of the value of any IT spend can be offset against profit before tax (assuming liability for Corporation Tax), thus gaining a reduction in Corporation Tax liability, where applicable. In future years the CA benefit is 20% of the reducing balance, i.e. 20% of the remaining unclaimed percentage of asset cost.

Take this worked example, for a £100,000 IT spend: In Year 1 this would attract 40% CAs. Hence profit before tax is reduced by £40,000 for the tax calculation. This results in a reduction of Corporation Tax (assuming 28% rate) liability of £11,200 for the current tax year. As a comparison, if the investment is delayed until the 2010-2011 tax year, the CA benefit would be halved, i.e. £5,600.

### Exel Computer Systems

Exel Computer Systems is the UK Owner and Author of EFACS E/8, a flexible and fully integrated ERP solution. EFACS E/8 is browser, XML and Java based and operates on a wide range of servers, operating systems and databases, with multi-language and multi-currency capabilities.

EFACS E/8 incorporates all the major functions of ERP, with a range of fully integrated add-on modules available including, Document Management, CRM, Workflow, Business Intelligence, Product Configuration, Mobile and Touchscreen Applications and many more.



### Further Information

For further information regarding capital allowances and IT expenditure please contact your Account Manager.

General information on Capital Allowances can be found on the Inland Revenue website at:

<http://www.hmrc.gov.uk/capital-allowances/investmentschemes.htm>