Maximise your business savings with the Full Expensing scheme

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The Full Expensing scheme was launched by the UK Government to stimulate business investment and promote economic growth. Under the Full Expensing scheme, companies can claim a 100% first-year allowance (FYA). This applies to assets that would otherwise qualify as main pool plant and machinery investments (i.e. main pool assets).



In addition, there is a 50% FYA on assets that would qualify for the special rate pool with the remaining balance being introduced to the special rate pool as normal.

What is in scope?

Most tangible assets used within a business are potentially in scope.
Plant and machinery expenditure must be for new, unused assets, including those on hire purchase.
It must not include cars, gifts given to the company or assets bought to lease to someone else.

Example assets that qualify for a FYA at 100% include:

- Commercial vehicles including HGVs, vans and tractors, except for cars
- Construction equipment, e.g., machinery, cranes and diggers

Example assets that qualify for a FYA at 50% include:

- Space and water heating systems
- Air-conditioning and air-cooling systems
- Solar panels
- Electrical systems, including lighting system
- Elevators and escalators
- Hot and cold-water systems (but not toilet and kitchen facilities)

Assets that are ineligible for the Full Expensing scheme include:

- Buildings and structures
- Used or second-hand assets
- Cars
- Assets held for leasing

Companies, subject to corporation tax, could benefit from the Full Expensing and FYA.
Individuals, Partnerships and Limited Liability Partnerships (LLPs) may be eligible for the Annual Investment Allowance (AIA).

Benefits

Businesses can save up to 25p for every pound they invest in eligible assets when making use of the Full Expensing scheme. The Full Expensing scheme works like this:

A company spending £5 million on eligible assets can claim capital allowances equal to 100% of the qualifying expenditure.

A £5 million investment allows the company to deduct £5 million (100%) from its taxable profits, potentially saving up to 25% on its corporation tax bill. A saving of 25p for every pound invested.

How does Full Expensing and FYA work?

The example assumes a corporation tax rate of 25%.

The calculation for total tax saving is the corporation tax rate multiplied by the total value of the deduction.
The calculation for tax savings per £1 spent is simply the total tax saving divided by the initial investment.

Expenditure	**£2,000,000**
Capital Allowance used (@100% – Full Expensing)	£2,000,000
Corporation Tax rate	25%
Tax savings	£500,000
Indicative Net Tax saving*	**£430,000**

* Difference between claiming Full Expensing and Writing Down Allowance's (WDA) at 14% on eligible expenditure.

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