

## Planning for the reduction in AIA – January 2012

From April 2012 the Annual Investment Allowance (AIA), which gives 100% relief for qualifying plant and machinery, reduces from £100,000 to £25,000 per annum.

### Key point

Where your accounting period straddles 31 March 2012 (6 April 2012 for LLP's and unincorporated businesses), you need to ensure, where possible, to incur expenditure before 1 April 2012 (6 April 2012).

### The Effect

For companies the old limit of £100,000 applies for expenditure up until 31 March 2012 and for unincorporated businesses it applies up until 5 April 2012.

The way in which the limit operates for accounting periods straddling these dates is best explained by way of illustration – A Limited with an accounting year end of 30 April 2012:

	£
1 May 2011 – 31 March 2012 (336 days/366 days) x £100,000	91,803
1 April 2012 – 30 April 2012 (30 days/366 days) x £25,000	<u>2,049</u>
	<u><b>93,852</b></u>

For A Limited, it means if it were to spend, for example, £92,000 on plant in the accounting period and all the expenditure was in February 2012 it would all be relieved at 100% (its within the £93,852 limit for the accounting period). However, if all the expenditure took place in April 2012, only £2,049 of it would qualify for AIA, the balance going into the general pool or special rate pool.

Should you be considering incurring expenditure on qualifying plant and machinery and wish to optimise your tax relief, please contact:

#### Jason Fayers

t: 01473 259201

e: [jason.fayers@scruttonbland.co.uk](mailto:jason.fayers@scruttonbland.co.uk)

#### Clive Hilton

t: 01473 259201

e: [clive.hilton@scruttonbland.co.uk](mailto:clive.hilton@scruttonbland.co.uk)

#### Marc Dorsett

t: 01473 259201

e: [marc.dorsett@scruttonbland.co.uk](mailto:marc.dorsett@scruttonbland.co.uk)