

Optimising tax relief for capital expenditure

Timing considerations – before or after 31 March 2022?

Many businesses, self-employed or incorporated, have chosen a 31 March year end.

If this is your chosen end of year date you have just under two months to consider timing options for expenditure that may increase or decrease your overall tax liabilities.

This alert considers capital expenditure and whether you should commit to a purchase date before or after 31 March 2022.

The comments made in this update also apply to businesses with accounting dates other than 31 March, but obviously will require action at different times of the year.

Buying capital equipment - tax reliefs available

Most purchases of plant, computer hardware, equipment, fixtures and fittings, and commercial vehicles qualify for a tax write-off.

For most small businesses a potential 100% deduction may be available.

Limited companies may also qualify for a 130% write off by claiming the so-called 'Super-deduction'.

Buying capital equipment before 31 March 2022

If you consider that your trading profits in 2021-22 will be higher than your trading profits in the following year, 2022-23, then it makes sense to complete your capital purchases before 31 March and secure any tax relief sooner rather than later.

However, if business taxes are likely to be higher in 2022-23 than in 2021-22, you will need to crunch the numbers to see if deferring capital expenditure would be a better option.

Buying capital equipment after 31 March 2022

Conversely, if you consider that your trading profits in 2021-22 will be lower than your trading profits in the following year, 2022-23, then it may make sense to complete your capital purchases after 31 March and defer tax relief to the later year.

However, if business tax rates are likely to be lower in 2022-23 than in 2021-22, you will need to crunch the numbers to see if the better option would be planning capital expenditure before 31 March.

We can help

If you are considering significant capital expenditure before or after the 31 March cut-off date, please call so we can consider your options. The above notes set out some of the factors you may need to consider, but every person and business is subject to other factors (claims for trading losses, utilisation of personal tax allowances and so on).

Let us help you plan your capital expenditure to achieve the most effective outcome.

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