



Your guide to the
**Annual Investment
Allowance**

Maxxia
FINANCE



Annual Investment Allowance | 2019 Update

Has there ever been a better time to invest in business assets?

There are currently some great financial incentives available for organisations to make investments in business assets. This guide explains the basics of how to make the most of the opportunities, while they last.

What has changed?

Annual Investment Allowances (AIA) provide organisations with instant tax relief on 100% of the cost of a newly acquired asset. That means that for every pound invested in qualifying assets, the business can reduce its taxable profit by the same amount, up to specific limits.

On January 1st 2019 new Annual Investment Allowance limits came into force. These limits are the most generous they have ever been, at £1m per annum.

What type of assets are included?

Annual Investment Allowances are available on a wide range of business assets, including plant and machinery, LCVs, HGVs and other commercial vehicles. 'Plant or machinery' covers almost every sort of asset a business may purchase. Really the only assets not covered are land, buildings and cars.

They are also available for the vast majority of business structures; only partnerships where one of the partners is a company, or another partnership, are excluded.

Is there a time limit?

Yes. The Government announced that the new £1m annual allowance would only be available for two calendar years – 2019 and 2020.

It's not known what limit will be applied beyond that, but the amounts have fluctuated considerably in the past as shown in the diagram below.



Do you have to purchase the assets outright?

No. The same 100% instant tax relief is available if assets are acquired through finance arrangements such as Hire Purchase and Contract Purchase.

The allowance is available on all future payments for the purchase of the asset, excluding interest charges.

This means that even businesses without access to large amounts of cash can acquire additional assets and take full advantage of the tax benefits.



Timing of the acquisitions is critical

For businesses that have a financial year that runs 1st January to 31st December, it's simple. You have an allowance of up to £1m for investments made between those dates during both 2019 and 2020.

For businesses with accounting periods that do not run in sync with calendar years, the amount of allowance available at any time will depend on where they sit within their financial year.

For example, in January 2019, a business operating with a financial year running 1st July to 30th June, will have six months (£500k) of this financial year's

allowance available to it for immediate tax relief. The residual £500k allowance for 2019 will become available in the business' next tax year, starting 1st July.

The diagram below illustrates how this works for various financial year schedules.

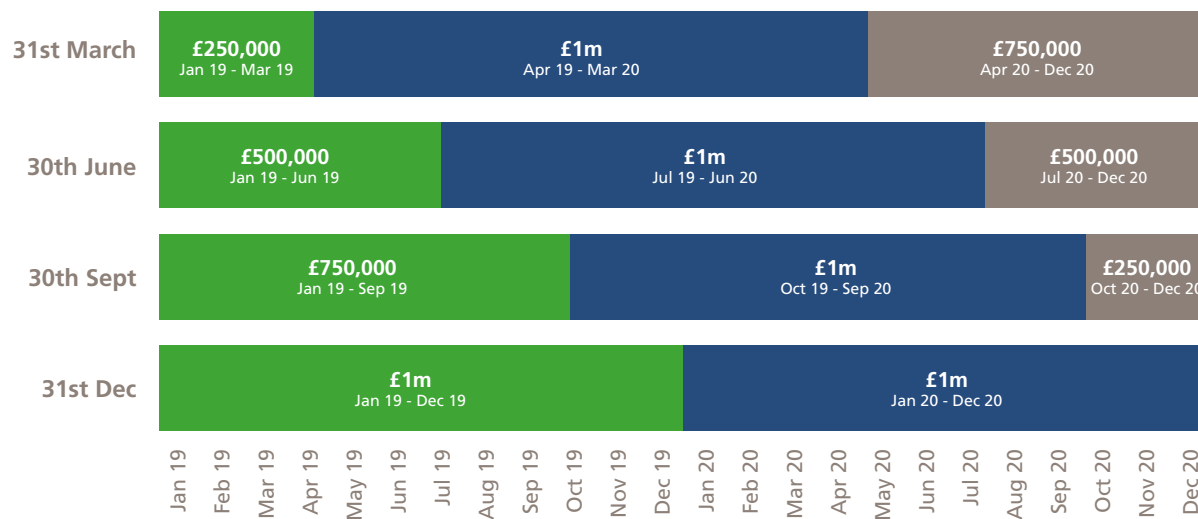
It's also important to note that in the example above, if the business does not use the £500k allowance available to it during 1st January to 30th June (the second half of its current financial year), then this proportion of the total allowance is lost.

There are also rules relating to when an item is acquired, which basically state that AIA can only be claimed during the period when the item is 'bought'. However, the definition of this date differs depending on when payment becomes due. For these purposes, the date that the item is bought is:

- when you signed the contract for the purchase, if payment is due within less than four months
- when the payment is due, if it's due more than four months later

It's also worth remembering that if the business closes, you can't claim AIA for items bought in its final accounting period.

Financial Year End



Get the right advice

Maxxia's experts can provide advice and guidance on the most appropriate form of finance for many types of asset, including hire and contract purchase arrangements that are eligible for Annual Investment Allowances.

For more information call us on **0845 643 1319** or visit maxxia.co.uk

Before making any investment decision, it is also vital that tax advice is gained from a qualified advisor or accountant.

The background image shows a close-up of a blue industrial robotic arm in a factory. The arm is holding a large, circular metal bearing. The scene is lit with bright, cool-toned lights, and there are various mechanical parts and cables visible in the background. The image is overlaid with large, semi-transparent orange geometric shapes, primarily triangles, that create a modern, industrial aesthetic.

Maxxia is a UK based finance provider offering enterprise-wide asset finance and leasing solutions to the public and private sector. Our team has significant expertise in all forms of asset funding, including vehicle leasing and fleet management, IT asset leasing and lifecycle management, as well as financing options for all types of business equipment and machinery. With a focus on transparency and collaboration with customers, we create leasing and asset finance solutions that meet the individual objectives of an organisation.

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