Autumn Statement: impact on capital allowances

Contributed by Alun Oliver FRICS

The Chancellor's long-awaited Autumn Statement proved to be a rather static balance between tax increases and spending cuts/savings – though much will operate under 'fiscal drag' by frozen thresholds and static spending rather than actual cuts. Smoke and mirrors? I think many are just pleased that it came across as more considered and with a strategy underpinning it – whether or not you agree with that strategy!

The Annual Investment Allowances (AIAs) cap on the first £1m of qualifying expenditure (excluding SBAs) will remain at £1m permanently – one of only a few small elements of Kwasi Kwarteng's Growth Budget to remain in situ. This will massively simplify the capital allowances position for thousands of SMEs that will enjoy 100% tax relief on all their capital expenditure, annually.

Following the increase in corporation tax to 25% from April 2023, the 130% super-deduction and 50% special-rate allowance will be withdrawn. This had been a temporary measure to encourage large businesses not to pause investment before the CT increase and effectively gave tax savings at 24.7%.

Overall, with a backdrop of huge Government intervention in supporting UK industry through the pandemic, there was always going to be a period in which payback of the exceptional financial commitments that kept so many solvent – was necessary. The added complication is the global financial climate and energy crisis, further exacerbated by Russia's attack on Ukraine. Taxpayers (and politicians!) seemingly have short memories and some in the media also appear determined to make the news, rather than report the news.

Fiscal stability and a period of calm replenishment of the coffers seems a necessity. However, with increased tax payments from increased corporation tax, reduced higher rate threshold and the wider fiscal drag of static thresholds and personal allowances it is important to remember taxpayers could all enjoy significant capital allowances. Fully optimised and detailed claims derived from a thorough analysis of the relevant capital investment can result in good levels of tax savings – be it from expenditure by owner managed businesses (or investors) in pubs and restaurants, care and nursing homes, car dealerships, factories or student accommodation – to name but a few!

Alun Oliver FRICS has specialised in property tax since 1994 and is a CEDR accredited mediator. He can be reached via www.e3consulting.co.uk or by e-mail

at hello@e3consulting.co.uk, or tel: 0345 230 6450.