

What to do next?

JCB Finance provides asset finance including Hire Purchase facilities for UK businesses but is not a tax or financial advisor – always seek advice from your accountant or tax advisor because every business' circumstances are different.

If you would like to discuss your planned purchases with JCB Finance and receive a no obligation Hire Purchase quotation, please call:

0800 150650

www.jcb-finance.co.uk

UK business users only. Terms apply.



Maximise the tax saving opportunities on purchases of plant, machinery, commercial vehicles including those purchased using Hire Purchase agreements.



**GAIN UP TO
£1 MILLION
TAX RELIEF PER YEAR**

**From 1st January 2019
- Limited Period Only**



JCB Finance Limited is authorised and regulated by the Financial Conduct Authority. (Firm reference number: 708332). The Mill, Rocester, Staffordshire ST14 5JW.

Call our dedicated team on:

0800 150650

or visit:

www.jcb-finance.co.uk

A brief guide on Annual Investment Allowance tax relief available on purchases of plant, machinery, commercial vehicles including those purchased using Hire Purchase agreements.

JCB Finance highlights the opportunity for businesses to maximise on tax saving opportunities when making plant and machinery purchases and how the timing of purchases over the next two years can be crucial.

In the Autumn 2018 Budget the Government announced a temporary increase in the Annual Investment Allowance to £1 Million from 1st January 2019.

The increase is to help support British businesses to invest and grow, effectively benefiting from £1 tax relief for every £1 spent on eligible purchases. The allowance is due to revert back to its former £200,000 on 1st January 2021 so businesses need to act should they wish to take advantage.

The Annual Investment Allowance (AIA) is a type of capital tax allowance that offers 100% tax relief on qualifying capital expenditure in the year of purchase.

How does the AIA work?

From 1st January 2019 up to £1,000,000 of expenditure on business assets (e.g. plant and commercial vehicles) per year is **100% allowable against taxable profits of a business, deductible in the year that you buy them.** This accelerates the tax relief rather than the tiered writing

down allowances (WDA) normally applied over several years. **Effectively a business can benefit from saving £1 in taxable profits for every £1 spent on eligible purchases.**

Can I claim AIA when using Hire Purchase? Yes. You can claim the AIA against qualifying assets placed on Hire Purchase (HP) – just as if you had paid cash. Therefore, you can enter into a Hire Purchase agreement for qualifying assets and benefit from the relief prior to all of the payments of the agreement being made in addition to the normal cash flow benefits of using Hire Purchase.

Fixed Rate Hire Purchase (HP) A way to purchase plant, machinery and vehicles whilst preserving working capital.

- All the benefits of ownership without the initial capital outlay
- Security of fixed repayments act as a hedge against inflation and rising interest rates
- The machine becomes yours once all the payments have been made
- Benefit from the tax writing down allowances, including the Annual Investment Allowance, just as if you had paid cash
- VAT is fully reclaimable for applicable purchases
- The interest on the agreement can also be off set against tax

JCB Finance can tailor a repayment plan to suit the needs and seasonality of your business and align with your plans for investment.

Other Hire Purchase products are available, including variable rate agreements and JCB Finance HP Plus. Ask for details. Terms apply.

What can I claim AIA on?

Most assets claimed for business use qualify including: excavators, telehandlers, tractors, combines, loading shovels, sprayers, and commercial vehicles. Cars cannot be claimed under this scheme. Expenditure is usually pooled rather than specific items being handled separately and any eligible purchases beyond this £1 million limit would still be eligible for the standard writing down allowances.



Who Can Claim AIA?

Nearly all businesses can claim, regardless of their size.

What difference will timing make?

The temporary increase of the allowance between 1st January 2019 and 1st January 2021 will mean the availability and level of tax relief are dependent on the timing of your financial/tax year end date of purchase.

The chart below illustrates the allocation of the enhanced AIA by showing four different financial year end companies and how vital it is to spend the right amount within the right periods in order to maximise the tax benefits.

Note. AIA can only be claimed in the period in which the qualifying purchase was made. Any unused balance of the AIA cannot be carried over into another accounting period.

Given the lead times for some machinery, from order to delivery, this also needs to be carefully factored in to your buying plans. Get the timing and / or the amounts wrong and your business could either miss out on available tax relief or worst still, end up paying far more tax than is required.

