

WHAT IS THE SUPER-DEDUCTION?

Following the Chancellor's recent Budget announcements in relation to Capital Allowances, the introduction of the new Super Deduction first year allowance and the upcoming changes to the Corporation Tax rate, the considerations you need to take into account when deciding how, when and which equipment to buy for your business have changed.

As the potential purchaser and end user of Volvo Group products, there are now more complex points to factor into your buying decision, which are likely to vary based on your specific business circumstances. We strongly recommend that you obtain your own professional advice on these matters, as we are not in a position to provide specific advice for individual customers on these factors. This note has been prepared as generic guidance only, and should not be considered/used as a substitute for professional tax advice.

What Is the Super-Deduction?

Referred to as the 'biggest business tax cut in modern British History' by the Chancellor, this initiative allows companies investing in new qualifying plant and machinery, between 1st April 2021 and 31st March 2023 to claim an enhanced first year allowance of 130% of the expenditure qualifying for main pool capital allowances. Expenditure that would qualify for special rate pool capital allowances (e.g. integral features or long-life assets) will benefit from a 50% first year allowance.

For example: a company investing £10 million on qualifying equipment on/after 1st April would generate an immediate cash tax saving of £2.47 million; this would compare favourably to a first year cash saving of ~ £342,000 under the current regime*.

This relief is available only for Corporation taxpayers, and the contracts must be entered into after 3rd March 2021. Unincorporated businesses can continue to claim up to 100% of qualifying spend (to a cap of £1 million per annum) as a first year allowance under the existing Annual Investment Allowance initiatives.

How Can VFS Help?

As confirmed by the Finance and Leasing Association, qualifying equipment acquired via a Hire Purchase contract does qualify as relevant expenditure for the purpose of determining eligibility for the Super-Deduction.

Utilising one of our Hire Purchase contract offers in your Volvo Trucks/Volvo Construction Equipment/Volvo Bus purchasing decision would enable you to:

- Spread the acquisition cost of the new asset across the agreed contract period;
- Reduce the up-front cash flow burden, allowing you to pay for the asset as it is being used in the course of your business;
- Access the 130% first year allowance Super Deduction, unlocking savings in your tax payments on account immediately, further enhancing the cash flow benefits to your business;

If the Super Deduction is not available, a VFS Hire Purchase contract customer may alternatively qualify for a 100% first year allowance claim under the Annual Investment Allowance, up to the extended £1 million limit per year per taxpayer (or taxpayer group).

To understand the specific savings available to your business, we advise you to seek your own professional advice to fully understand the interaction of the above with your existing business circumstances and tax profile. Further information, including a helpful Fact Sheet, are available from HMRC via the .gov website.

Volvo Financial Services

www.vfsco.co.uk

*<https://home.kpmg/uk/en/home/insights/2021/03/tmd-splash-out-to-help-out.html>

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