

Extension of £1m Annual Investment Allowance

How does this impact the Manufacturing sector?



MANUFACTURING

The Annual Investment Allowance (AIA) gives businesses the opportunity to claim 100% capital allowances in the year of expenditure on qualifying capital assets.

From 1 January 2019 the 100% AIA amount for expenditure on plant and machinery was temporarily increased from £200,000 to £1 million with the measure due to be reversed from 1 January 2021. However, it was announced by the government on 12 November 2020 that the expiry date for the £1 million annual allowance will be extended by a further year to 1 January 2022 primarily to support the manufacturing sector.

This extension is particularly important for the manufacturing sector, which can be more capital intensive than many other sectors. The impact of both Brexit and COVID19 have placed an increased importance on effective implementation of technology.

With some items of plant requiring substantial investment on their own and predicted trends for the sector including increased investment in robotics, robotic process automation and the embedding of Smart technology into production processes together with investment in 3D printing. The extension of the AIA will provide valuable short-term tax savings to support businesses.



This measure will enable businesses to plan their capital expenditure over the next year to maximise the 100% tax relief available for qualifying expenditure. Which should assist in ensuring that UK manufacturers can remain competitive as we leave the EU and are able to take advantage of the global opportunities available to them.

Planning will need to be considered for periods straddling the 1 January 2022 reduction to £200,000 as businesses will face an apportioned AIA limit for expenditure made post 1 January 2022, so expenditure should be made before this date where possible.

If you are expecting to incur expenditure on plant and machinery or are carrying out any refurbishment/fit out works, please come and speak to us about how we can help you maximise your claim.



Andrew England
Tax Partner & Manufacturing specialist

For further information please contact Andrew via AEngland@menzies.co.uk or +44 1372 366 168

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