

## Finance Bill 2023-24

### Representation from the Association of Taxation Technicians (ATT)

#### Clause 1: Permanent full expensing etc for expenditure on plant or machinery

##### Executive Summary

Making full expensing a permanent measure will bring welcome certainty to those large companies that benefit from it.

However, full expensing will provide no benefit to the 99% of companies whose capital expenditure is already fully relieved under the Annual Investment Allowance.

More focus is required on the needs of smaller businesses, including how the capital allowances rules could be simplified. Consideration should also be given to extending the scope of full expensing so that large, unincorporated businesses (such as farming partnerships) can benefit from it.

#### 1. Background

- 1.1. Clause 1 puts 'full expensing' – a 100% first-year allowance for main rate plant and machinery (50% for special rate expenditure<sup>1</sup>) – on a permanent basis.
- 1.2. Full expensing was first announced at the Spring Budget 2023 in direct response to the end of the super-deduction (which provided an enhanced 130% allowance for main rate plant and machinery) on 1 April 2023. Full expensing was originally intended to be a temporary measure, only available on expenditure incurred before 1 April 2026. Clause 1 removes this restriction, meaning full expensing will now be permanently available.
- 1.3. Companies incurring qualifying expenditure have the choice as to whether to claim full expensing or the Annual Investment Allowance (AIA). The AIA provides full tax relief on qualifying expenditure on plant and machinery in the year of acquisition, in a similar way to full expensing. However, the AIA is available for businesses subject to both income tax and corporation tax, whereas full expensing only applies for corporation tax purposes. The AIA was set at a permanent limit of £1m per year by s8 of Finance (No.2) Act 2023.

#### 2. Full expensing and smaller companies

- 2.1. Making full expensing a permanent measure will increase certainty and benefit the largest companies in the UK with investment in plant and machinery that exceeds the AIA limit.
- 2.2. However, as noted in paragraph 3.70 of the Spring Budget 2023 document<sup>2</sup>, 99% of businesses do not exceed the new, permanent AIA limit of £1m. These businesses are likely to claim the AIA in preference to full expensing, as it provides the same level of relief

---

<sup>1</sup> Special rate expenditure includes assets which form an integral part of a building (such as lifts, heating and air conditioning systems), assets with a long life (over 25 years). All other qualifying expenditure on plant and machinery is classed as 'main rate'

<sup>2</sup> <https://www.gov.uk/government/publications/spring-budget-2023>

## Finance Bill 2023-24 ATT Representation

without the complexity of the full expensing disposal rules (which require a taxable balancing charge to be brought into account on the disposal of any asset on which full expensing has been claimed).

- 2.3. The vast majority of businesses will therefore not benefit at all from making full expensing a permanent measure.
- 2.4. In our view, these businesses would benefit more from an overall review of the capital allowances regime. The current system can be confusing, with complexities occurring in relation to the precise timing of expenditure, fine statutory distinctions between similar types of asset and the structure of a particular business. Simplification and rationalisation of the rules would provide greater certainty to businesses, as well as reducing the number of errors made.
- 2.5. We note that the 'Autumn Statement 2023 – Permanent full expensing – technical consultation' document<sup>3</sup> states that the Government will “launch a technical consultation on wider changes to the capital allowances legislation, as the introduction of permanent full expensing provides us with an opportunity to deliver on the government’s longer-term ambition to simplify the tax system.”.
- 2.6. Whilst we welcome this announcement, and look forward to engaging in the consultation, we note with disappointment that the document goes on to say that the consultation will not consider “substantive reform of capital allowances”. It is disappointing that the opportunity will not be taken to look at wider reforms which could benefit a broader range of businesses than the changes to full expensing.

### 3. Scope of full expensing

- 3.1. Full expensing is subject to a number of restrictions. In particular, it is only available to businesses within the charge to corporation tax. Unincorporated businesses such as sole traders and partnerships subject to income tax will therefore not benefit from full expensing.
- 3.2. Whilst the majority of unincorporated businesses will have annual expenditure on plant and machinery below the permanent £1m AIA limit, that will not be the case in all instances. For example, many farming businesses are run as partnerships, and can spend large amounts on farming equipment in any given year.
- 3.3. It seems unfair to provide differing levels of relief to businesses investing in qualifying plant and machinery simply on the basis of their legal structure. We therefore think that full expensing should be extended to apply to businesses subject to income tax, as well as those subject to corporation tax.

**Association of Taxation Technicians  
2 January 2024**

**Contact for further information:**

---

<sup>3</sup> <https://www.gov.uk/government/publications/full-expensing/autumn-statement-2023-permanent-full-expensing-technical-consultation>

## **Finance Bill 2023-24 ATT Representation**

**George Crozier, ATT Head of External Relations**

[gcrozier@att.org.uk](mailto:gcrozier@att.org.uk); 020 7340 0569

### **Note:**

#### **The Association of Taxation Technicians**

The Association is a charity and the leading professional body for those providing UK tax compliance services. Our primary charitable objective is to promote education and the study of tax administration and practice. One of our key aims is to provide an appropriate qualification for individuals who undertake tax compliance work. Drawing on our members' practical experience and knowledge, we contribute to consultations on the development of the UK tax system and seek to ensure that, for the general public, it is workable and as fair as possible.

Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government and academia.

The Association has over 9,500 members and Fellows together with over 6,000 students. Members and Fellows use the practising title of 'Taxation Technician' or 'Taxation Technician (Fellow)' and the designatory letters 'ATT' and 'ATT (Fellow)' respectively