

Did you know that customers who delay their Commercial Vehicle purchase until after April 2012 could increase their tax bill?

From April 2012 the Annual Investment Allowance is changing.

What is the Annual Investment Allowance?

The Annual Investment Allowance (AIA) is a tax allowance pool which businesses can use to claim 100% writing down allowances on plant and equipment purchases. This includes purchased Commercial Vehicles.

What is changing?

The current tax allowance limit is £100,000 and from April 2012 this limit reduces to £25,000.

How does it work?

All plant and equipment (Including commercial vehicles) up to the AIA limit bought in the financial year can be included in the AIA. Businesses buying a Commercial Vehicle can claim 100% writing down allowances against the AIA. The total amount of the utilised AIA is then offset against any taxable profit.

What will this mean for Commercial Vehicle Customers?

In this example your customer is purchasing two vans at a cost of £20,000 each and has already utilised £25K of their AIA for other plant and equipment. In this example, if your customer delays their purchase they will incur an

Sole Trader with Annual Investment Allowance of £75K available who purchases prior to April 2012		Sole Trader with no Annual Investment Allowance of available who purchases on or after April 2012	
Total purchase price	£40,000	Total purchase price	£40,000
Taxable profit before AIA	£60,000	Taxable profit	£60,000
100% AIA writing down allowance applied to taxable profit	(£40,000)	Standard 18% writing down allowance applied to taxable profit	(£10,800)
Taxable profit after AIA	£20,000	Taxable profit after standard WDA	£49,200
Sole trader Income Tax @ 40%	£ 8,000	Sole trader Income Tax @ 40%	£ 19,680

Additional £11,680 tax liability

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