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Claim capital allowances

1. Overview

You can claim capital allowances when you buy assets that you keep to use in your business, eg:

- equipment
- machinery
- business vehicles, eg cars (<https://www.gov.uk/capital-allowances/business-cars>), vans or lorries

These are known as plant and machinery (<https://www.gov.uk/capital-allowances/what-you-can-claim-on>).

You can deduct some or all of the value of the item from your profits before you pay tax.

If you're a sole trader or partner and have an income of £150,000 or less a year, you may be able to use a simpler system called cash basis (<https://www.gov.uk/simpler-income-tax-cash-basis/overview>) instead.

Work out the value of your item

In most cases, the value is what you paid for the item. Use the market value (the amount you'd expect to sell it for) instead if:

- you owned it before you started using it in your business
- it was a gift

Other business costs

You claim for the cost of things that aren't business assets in a different way. This includes:

- your business's day-to-day running costs
- items that it's your trade to buy and sell
- interest payments or finance costs for buying assets

Claim these costs as business expenses (<https://www.gov.uk/expenses-if-youre-self-employed>) if you're a sole trader or partner, or deduct from your profits as a business cost if you're a limited company.

Other capital allowances

As well as plant and machinery, you can also claim capital allowances for:

- renovating business premises (<https://www.gov.uk/business-premises-renovation-allowance-bpra>) in disadvantaged areas of the UK
- extracting minerals (<http://www.hmrc.gov.uk/manuals/camanual/CA50000.htm>)

- research and development (<http://www.hmrc.gov.uk/manuals/camanual/CA60000.htm>)
- 'know-how' (<http://www.hmrc.gov.uk/manuals/camanual/CA70000.htm>) (intellectual property (<https://www.gov.uk/intellectual-property-an-overview>) about industrial techniques)
- patents (<http://www.hmrc.gov.uk/manuals/camanual/CA75000.htm>)
- dredging (<http://www.hmrc.gov.uk/manuals/camanual/CA80000.htm>)

If you let out residential property

You can only claim for items in residential property if your business qualifies as a furnished holiday lettings business. In each year the property must be:

- available for holiday letting for 210 days
- let for 105 days or more

2. What you can claim on

You can claim capital allowances on items that you keep to use in your business - these are known as 'plant and machinery'.

In most cases you can deduct the full cost of these items from your profits before tax using annual investment allowance (AIA) (<https://www.gov.uk/capital-allowances/annual-investment-allowance>).

If you're a sole trader or partner and have an income of £150,000 or less a year, you may be able to use a simpler system called cash basis (<https://www.gov.uk/simpler-income-tax-cash-basis/overview>) instead.

What doesn't count as plant and machinery

You can't claim capital allowances on:

- things you lease - you must own them
- buildings, including doors, gates, shutters, mains water and gas systems
- land and structures, eg bridges, roads, docks
- items used only for business entertainment, eg a yacht or karaoke machine

What counts as plant and machinery

Plant and machinery includes:

- items that you keep to use in your business, including cars (<https://www.gov.uk/capital-allowances/business-cars>)
- costs of demolishing plant and machinery
- parts of a building considered integral, known as 'integral features'
- some fixtures, eg fitted kitchens or bathroom suites
- alterations to a building to install other plant and machinery - this doesn't include repairs

Claim repairs as business expenses (<https://www.gov.uk/expenses-if-youre-self-employed>) if you're a sole trader or partner - deduct from your profits as a business cost if you're a limited company.

Integral features

Integral features are:

- lifts, escalators and moving walkways
- space and water heating systems
- air-conditioning and air cooling systems
- hot and cold water systems (but not toilet and kitchen facilities)
- electrical systems, including lighting systems
- external solar shading

Fixtures

You can claim for fixtures, eg:

- fitted kitchens
- bathroom suites
- fire alarm and CCTV systems

You can claim if you rent or own the building, but only the person who bought the item can claim.

When you buy a building from a previous business owner you can only claim for integral features and fixtures that they claimed for.

You must agree the value of the fixtures (<https://www.gov.uk/plant-and-machinery-allowances-on-fixtures-when-theres-a-change-of-ownership>) with the seller. If you don't you can't claim for them. Agreeing the value also means the person selling the assets (<https://www.gov.uk/capital-allowances-sell-asset>) can account correctly for them.

If you let residential property

You can only claim for items in residential property if either:

- you run a furnished holiday lettings business
- the item is in the common parts of a residential building, eg a table in the hallway of a block of flats

Care workers

There are special rules if you run a care business (<https://www.gov.uk/government/publications/qualifying-care-relief-foster-carers-adult-placement-carers-kinship-carers-and-staying-put-carers-hs236-self-assessment-helpsheet>).

3. Annual investment allowance

You can deduct the full value of an item that qualifies for annual investment allowance ([AIA](#)) (<https://www.gov.uk/capital-allowances/what-you-can-claim-on>) from your profits before tax.

If you sell the item (<https://www.gov.uk/capital-allowances-sell-asset>) after claiming [AIA](#) you may need to pay tax.

What you can claim on

You can claim [AIA](#) on most plant and machinery (<https://www.gov.uk/capital-allowances/what-you-can-claim-on>) up to the [AIA](#) amount.

What you can't claim on

You can't claim [AIA](#) on:

- cars (<https://www.gov.uk/capital-allowances/business-cars>)
- items you owned for another reason before you started using them in your business
- items given to you or your business

Claim writing down allowances (<https://www.gov.uk/work-out-capital-allowances/writing-down-allowances>) instead.

The [AIA](#) amount

The [AIA](#) amount is £200,000. This is for 12-month periods from 1 January 2016.

Changes to the [AIA](#)

Between April 2008 and January 2016 the [AIA](#) amount changed several times.

If the [AIA](#) changed in the period you're claiming for, you need to adjust the amount you can claim (<https://www.gov.uk/annual-investment-allowance-limit-changes-during-accounting-periods>).

Sole traders/partners	Limited companies	AIA
From 1 January 2016	From 1 January 2016	£200,000
6 April 2014 - 31 December 2015	1 April 2014 - 31 December 2015	£500,000
1 January 2013 - 5 April 2014	1 January 2013 - 31 March 2014	£250,000
6 April 2012 - 31 December 2012	1 April 2012 - 31 December 2012	£25,000
6 April 2010 - 5 April 2012	1 April 2010 - 31 March 2012	£100,000
6 April 2008 - 5 April 2010	1 April 2008 - 31 March 2010	£50,000

You get a new allowance for each accounting period.

If your accounting period is more or less than 12 months

Adjust your [AIA](#) if your accounting period is more or less than 12 months.

Example If your accounting period is 9 months the [AIA](#) will be $9/12 \times £200,000 = £150,000$.

You may also need to take into account changes to the [AIA](#) (<https://www.gov.uk/annual-investment-allowance-limit-changes-during-accounting-periods>) in that time.

The rules are different if your accounting period is longer than 18 months (<https://www.gov.uk/guidance/capital-allowances-accounting-periods-which-are-more-or-less-than-a-year#accounting-periods-longer-than-18-months>) or you have a gap or overlap between accounting periods.

When you can claim

You can only claim [AIA](#) in the period you bought the item.

The date you bought it is:

- when you signed the contract, if payment is due within less than 4 months
- when payment's due, if it's due more than 4 months later

If you buy something under a hire purchase contract you can claim for the payments you haven't made yet when you start using the item. You can't claim on the interest payments.

If your business closes (<https://www.gov.uk/capital-allowances-sell-asset>), you can't claim [AIA](#) for items bought in the final accounting period.

If you don't want to claim the full cost

If you don't want to claim the full cost, eg you have low profits, you can claim:

- writing down allowances (<https://www.gov.uk/work-out-capital-allowances/writing-down-allowances>) instead
- part of the cost as [AIA](#) and part as writing down allowances (<https://www.gov.uk/work-out-capital-allowances/writing-down-allowances>)

Items you also use outside your business

You can't claim the full value of items you also use outside your business if you're a sole trader or partner. Reduce the capital allowances you claim by the amount you use the asset outside your business.

Example You buy a laptop for £600. You use it outside your business for half of the time. The amount of capital allowances you can claim is reduced by 50%.

If you spend more than the [AIA](#) amount

Claim writing down allowances (<https://www.gov.uk/work-out-capital-allowances/writing-down-allowances>) on any amount above the [AIA](#). If a single item takes you above the [AIA](#) amount you can split the value between the types of allowance.

Mixed partnerships

[AIA](#) isn't available for partnerships where one of the partners is a company or another partnership.

More than one business or trade

If you're a sole trader or a partner and you have more than one business or trade, each business usually gets an [AIA](#).

You only get one [AIA](#) if the businesses are both:

- controlled by the same person
- in the same premises or have similar activities

If 2 or more limited companies are controlled by the same person they only get one [AIA](#) between them. They can choose how to share the [AIA](#).

How to claim

Claim on your tax return (<https://www.gov.uk/capital-allowances/how-to-claim>).

4. First year allowances

If you buy an asset that qualifies for first year allowances you can deduct the full cost from your profits before tax.

You can claim first year allowances in addition to annual investment allowance (<https://www.gov.uk/capital-allowances/annual-investment-allowance>) - they don't count towards your AIA limit.

What qualifies

You can claim 'enhanced capital allowances' (a type of first year allowances) for the following energy and water efficient equipment:

- some cars (<https://www.gov.uk/capital-allowances/business-cars>) with low CO2 emissions
- energy saving equipment that's on the energy technology product list (<https://www.gov.uk/government/publications/enhanced-capital-allowance-scheme-energy-technology-product-list>), eg certain motors
- water saving equipment that's on the water efficient technologies product list (<https://www.gov.uk/government/publications/water-efficient-enhanced-capital-allowances>), eg meters, efficient toilets and taps
- plant and machinery for gas refuelling stations, eg storage tanks, pumps
- gas, biogas and hydrogen refuelling equipment
- new zero-emission goods vehicles

You can't normally claim on items your business buys to lease to other people or for use within a home you let out.

How to claim

Claim on your tax return (<https://www.gov.uk/capital-allowances/how-to-claim>).

If you don't claim all the first year allowances you're entitled to, you can claim part of the cost in the next accounting period using writing down allowances (<https://www.gov.uk/work-out-capital-allowances/writing-down-allowances>).

5. Business cars

You can claim capital allowances on cars you buy and use in your business. This means you can deduct part of the value from your profits before you pay tax.

Use writing down allowances (<https://www.gov.uk/work-out-capital-allowances/writing-down-allowances>) to work out what you can claim - cars don't qualify for annual investment allowance (AIA).

Sole traders and partners

If you're a sole trader or a partner you can claim simplified mileage expenses (<https://www.gov.uk/simpler-income-tax-simplified-expenses/vehicles->) on business vehicles instead - as long as you haven't already claimed for them in another way.

Employees

If you're an employee you can't claim capital allowances for cars, motorbikes and bicycles you use for work, but you may be able to claim for business mileage and fuel costs (<https://www.gov.uk/tax-relief-for-employees/business-mileage-fuel-costs>).

What counts as a car

For capital allowances a car is a type of vehicle that:

- is suitable for private use - this includes motorhomes
- most people use privately
- wasn't built for transporting goods

What doesn't count

Because they don't count as cars you can claim AIA (<https://www.gov.uk/capital-allowances/annual-investment-allowance>) on:

- motorcycles - apart from those bought before 6 April 2009
- lorries, vans and trucks

Rates for cars

The rate you can claim (<https://www.gov.uk/work-out-capital-allowances/rates-and-pools>) depends on the CO2 emissions (<http://carfueldata.direct.gov.uk/>) of your car and the date you bought it.

The main and special rates apply from 1 April for limited companies, and 6 April for sole traders and partners. The first year allowances rate applies from 1 April for all businesses.

Cars bought from April 2015

Description of car	What you can claim
New and unused, CO2 emissions are 75g/km or less (or car is electric)	First year allowances (https://www.gov.uk/capital-allowances/first-year-allowances)
New and unused, CO2 emissions are between 75g/km and 130g/km	Main rate allowances (https://www.gov.uk/work-out-capital-allowances/rates-and-pools)
Second hand, CO2 emissions are 130g/km or less (or car is electric)	Main rate allowances (https://www.gov.uk/work-out-capital-allowances/rates-and-pools)

Description of car	What you can claim
New or second hand, CO2 emissions are above 130g/km	Special rate allowances (https://www.gov.uk/work-out-capital-allowances/rates-and-pools)

Cars bought between April 2013 and April 2015

Description of car	What you can claim
New and unused, CO2 emissions are 95g/km or less (or car is electric)	First year allowances (https://www.gov.uk/capital-allowances/first-year-allowances)
New and unused, CO2 emissions are between 95g/km and 130g/km	Main rate allowances (https://www.gov.uk/work-out-capital-allowances/rates-and-pools)
Second hand, CO2 emissions are 130g/km or less (or car is electric)	Main rate allowances (https://www.gov.uk/work-out-capital-allowances/rates-and-pools)
New or second hand, CO2 emissions are above 130g/km	Special rate allowances (https://www.gov.uk/work-out-capital-allowances/rates-and-pools)

Cars bought between April 2009 and April 2013

Description of car	What you can claim
New and unused, CO2 emissions are 110g/km or less (or car is electric)	First year allowances (https://www.gov.uk/capital-allowances/first-year-allowances)
New and unused, CO2 emissions are between 110g/km and 160g/km	Main rate allowances (https://www.gov.uk/work-out-capital-allowances/rates-and-pools)
Second hand, CO2 emissions are 160g/km or less (or car is electric)	Main rate allowances (https://www.gov.uk/work-out-capital-allowances/rates-and-pools)
New or second hand, CO2 emissions above 160g/km	Special rate allowances (https://www.gov.uk/work-out-capital-allowances/rates-and-pools)

Move the balance of any cars bought before April 2009 to your main rate allowances pool (<https://www.gov.uk/work-out-capital-allowances/rates-and-pools>).

If your car doesn't have an emissions figure use the special rate (<https://www.gov.uk/work-out-capital-allowances/rates-and-pools>) - use the main rate (<https://www.gov.uk/work-out-capital-allowances/rates-and-pools>) if it was registered before 1 March 2001.

Using cars outside your business

If you're a sole trader or partner and you also use your car outside your business, calculate how much you can claim (<https://www.gov.uk/work-out-capital-allowances/rates-and-pools>) based on the amount of business use.

If your business provides a car for an employee or director you can claim capital allowances on the full cost. You may need to report it as a benefit (<https://www.gov.uk/employer-reporting-expenses-benefits>) if they use it personally.

6. How to claim

When you've worked out your capital allowances (<https://www.gov.uk/work-out-capital-allowances/work-out-what-you-can-claim>), claim on your:

- Self Assessment (<https://www.gov.uk/self-assessment-tax-returns>) tax return if you're a sole trader
- partnership tax return (<https://www.gov.uk/set-up-business-partnership/partnership-tax-return>) if you're a partner
- Company Tax Return (<https://www.gov.uk/prepare-file-annual-accounts-for-limited-company>) if you're a limited company - you must include a separate capital allowances calculation

Employees must claim (<https://www.gov.uk/tax-relief-for-employees/how-to-claim>) in a different way.

The amount you can claim is deducted from your profits.

When you can claim

You must claim in the accounting period you bought the item if you want to claim the full value under:

- annual investment allowance (<https://www.gov.uk/capital-allowances/annual-investment-allowance>)
- first year allowances (<https://www.gov.uk/capital-allowances/first-year-allowances>)

If you don't want to claim the full value you can claim part of it using writing down allowances (<https://www.gov.uk/work-out-capital-allowances/writing-down-allowances>). You can do this at any time as long as you still own the item.

When you bought it

The date you bought it is:

- when you signed the contract, if payment is due within less than 4 months
- when payment's due, if it's due more than 4 months later

If you buy something under a hire purchase contract you can claim for the payments you haven't made yet when you start using the item. You can't claim on the interest payments.