

Annual Investment Allowance against the cost of relocatable partitioning

Businesses can now claim an Annual Investment Allowance (AIA) against the cost of relocatable partitioning.

The annual investment allowance has increased in the Autumn budget to £1,000,000, which means that a business can now deduct the full value of an item that qualifies for annual investment allowance from profits before tax.

Relocatable partitioning is considered to be 'plant' and therefore qualifies. The precedent is John Good and Sons, who in 1958 had a decision overturned at the court of appeal, where it was concluded that partitions which were intended to be movable (i.e. relocatable) to meet the different needs of the business were plant.

The partition walls, where movable and intended to be moved in the course of the qualifying activity, should be eligible for the 'super deduction' on qualifying plant and machinery investments (from 1 April 2021 until the end of March 2023). This includes all new plant and machinery that ordinarily qualifies for the 18% main pool rate of writing down allowances and is available at the rate of 130%.

Therefore, on the basis that the relocatable partitioning costs £50k, in the year of purchase this would attract a tax allowance of £50k x 130%, the allowance works as if the company has spent 30% more on the capital expenditure.

The £50k cost would be written off in year one, so no further allowances will be available in year two.

More information can be found here: Claim capital allowances: Annual investment allowance - GOV.UK (www.gov.uk)

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/967202/Super_deduction_factsheet.pdf

Advice should be sought from your accountant before proceeding.

Relocatable partitioning is defined in RICS SKA Rating as; re-locatable or reusable systems can be removed and relocated without substantial repair, and be capable of reinstallation within a tolerance of $\pm 10\text{mm}$ of the original installed height.

Resources

[FIS Tax Helpline](#)

Provided by the Joint Taxation Committee (JTC), the helpline provides a source of high-quality technical knowledge about all the taxes that apply to construction businesses. The JTC also produces guidance illustrating how normal commercial practice can be monitored and, sometimes adapted, to allow good tax compliance.

[FIS Business and Taxation Toolkit](#)

FIS has a variety of online resources in its toolkit to support members, and as well as direct advice through FIS we have dedicated helplines covering legal, employment and taxation issues that can be accessed. Call FIS on 0121 707 0077 for more information.