Give your super-deduction tax break a boost, Chancellor urged

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SUPER-DEDUCTION TAX RELIEF SHOULD BE SUPER-CHARGED
Chancellor urged to make tax relief last five years rather than two
Tax break should cover net-zero investments
HMRC should issue detailed guidance without more delay

The government's super-deduction tax relief to boost business investment has been backed by the UK's Big 4 accountants in a report published by The Infrastructure Forum today.

Deloitte, EY, KPMG and PwC say that the relief introduced in this year's Budget is already helping businesses to re-equip and invest. The Infrastructure Forum, which brings together investors, developers and operators of UK infrastructure, backs calls for super-deductions to be made a permanent part of the UK tax system.

But the report warns that the non-appearance of HMRC guidance is slowing up use of the relief and that "detailed guidance should be produced as a matter of urgency".

It says that the relief should be extended "to closer to five years" and extended "specifically to incentivise investment in carbon-reducing technologies and infrastructure".

The short time span for the tax break - which allows companies to claim 130% capital allowances on qualifying plant and machinery investments for expenditure incurred from 1 April 2021 until the end of March 2023 - is limiting potential investment especially in equipment for major infrastructure projects.

Large-scale infrastructure projects have long lead times, often taking between 5 and 10 years in planning. The short 2-year window means that project leaders are not able to accelerate significant investments. Accordingly, the report says that the super-deduction should be extended to last at least 5 years.

Matt Smith, Tax Partner at Deloitte, says in the report: "We do anticipate the super-deductions being used widely by businesses as a lever through which they can manage their tax exposure and also potentially mitigate the increase in corporation tax to 25% in 2023. However, practical issues in the detailed legislation combined with a lack of certainty arising from HM Revenue & Customs not yet publishing detailed guidance on the super-deductions do need to be addressed".

Graham Wright, Tax Partner at EY says: "For many years the UK has lagged behind other jurisdictions in the generosity of its 'tax depreciation' system, favouring low corporation tax rates. With the tax rates increasing it is time to consider some more permanent changes".

Harinder Soor, Tax Partner at KPMG says: "The introduction of the super-deduction was, by far, the stand out feature of this year"s Budget - it has now become law and the infrastructure actor will be required to embrace it for the next couple of years. The challenges noted should not be allowed to dilute the value at stake and whilst the regime's design is not perfect the sector is likely to be a significant beneficiary from the measure".

Elisabeth Hunt, Partner, Tax, Energy, Utilities & Infrastructure at PwC says: "The super-deduction announcement has been welcomed as an attractive regime and one which is significantly more generous than the equivalent measures introduced after the GFC. The amounts of relief available have encouraged many of our clients to consider accelerating their investment plans; investing now for future growth and productivity gains. Going forward consideration must be given to how we can build on this platform to develop a more enduring regime that can sustain the levels of investment needed to meet the challenges of energy transition".

Please find the full report here
For further information:Graham Mather, President, The Infrastructure Forum, 07836 325133
Callum Doyle, Policy Analyst, The Infrastructure Forum, 07926 082680

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Scan Me:

Company Contact:

The Infrastructure Forum

T. 07836 325133
E. graham.mather@infra.fm
W. https://www.infrastructure.cc

Additional Contact(s):
callum.doyle@policy.fm

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