



Annual Investment Allowance - Appendix C

CT Return Version 2.2 (2011)

Corporation Tax Online

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1. Introduction

1.1 Purpose The purpose of this document is to extend the business rules definition provided by the CT Return Business Rules document [Ref 1] to include the apportioning of the AIA.

1.2 Background

The AIA was introduced in the 2008 Budget and is subject to an annual limit which is published in the rates table in Appendix A.

- The Annual Investment Capital Allowances – boxes 172 plus 173 – must not exceed the AIA limit.
- The rate applies to Accounting periods which end on or after 01 April 2008 or straddle 01/04/08.
- The AIA limit is apportioned for Accounting Periods less than 12 months,
- The AIA limit is apportioned where the AP straddles 01/04/2008
- The AIA limit was increased to 100,000 for the Financial Year beginning 01 April 2010.
- The different AIA limits are apportioned where the AP straddles 01/04/2010 or 01/04/2012.
- The AIA limit remains at 100,000 for the Financial Year beginning 01 April 2011, however the limit will reduce to 25,000 for the Financial Year beginning 01 April 2012.

2. Apportioning Formula for AIA limit

Apportionment Basis

The relevant AIA legislation (CAA01/S51A(6)) does not specifically require that the maximum AIA should be time-apportioned on a daily basis. In the context of working out a business's maximum AIA entitlement, therefore, HMRC will accept that it is just and reasonable to make the calculation on either a daily or monthly basis, in cases where the period in question consists of whole calendar months. In other cases, an apportionment made on a daily basis will be required, as this will ensure an appropriate level of consistency and fairness between taxpayers.

The monthly basis of calculation must only be used when the first day of an AP starts on the first of the month and the end date of the AP falls on the last day of the month. Where the accounting period does not consist of whole calendar months the total AIA (Box 172 + Box 173) cannot exceed the limit apportioned on a daily basis. Where the accounting period consists of whole calendar months the total AIA cannot exceed the limit apportioned on a daily basis, or the limit apportioned on a monthly basis if that is higher.

Where the AP straddles 01/04/2010 or 01/04/2012, apportion the AIA limit relevant to each financial year (see examples 6 and 7 below and 9 onwards).

Daily basis

Define the number of Days to apportion the AIA by (D)

If No. of AP days = 366 then

$$D = 366$$

Else D = 365

Where the AP straddles 01/04/2008 or 01/04/2012 D = 365 (see examples 1,2 and 9 below.)

Calculate the Apportioned AIA rate

Apportioned AIA for FY1 = (AIA / D) * No of AP days in FY1

Apportioned AIA for FY2 = (AIA / D) * No of AP days in FY2

If the AP straddles 01/04/2010 or 01/04/2012¹

Apportioned AIA limit = (Apportioned AIA for FY1 rounded up to next whole number) + (Apportioned AIA for FY2 rounded up to next whole number)

If the AP does not straddle 01/04/2010 or 01/04/2012

Apportioned AIA limit = (Apportioned AIA for FY1) + (Apportioned AIA for FY2) rounded up to the next whole number

Box 172 + Box 173 <= Apportioned AIA limit

Monthly basis

Define the number of Months to apportion the AIA by (M)

M = 12

Calculate the Apportioned AIA rate

Apportioned AIA for FY1 = (AIA / M) * No of AP Months in FY1

¹ A period beginning before 1 April 2010 and ending on or after 1 April 2010, or a period beginning before 1 April 2012 and ending on or after 1 April 2012.

Apportioned AIA for FY2 = (AIA / M) * No of AP Months in FY2

If the AP straddles 01/04/2010 or 01/04/2012

Apportioned AIA limit = (Apportioned AIA for FY1 rounded up to next whole number) + (Apportioned AIA for FY2 rounded up to next whole number)

If the AP does not straddle 01/04/2010 or 01/04/2012

Apportioned AIA limit = (Apportioned AIA for FY1) + (Apportioned AIA for FY2) rounded up to the next whole number

Box 172 + Box 173 <= Apportioned AIA limit

3. Examples

2 AP 01/01/08 to 31/12/08

Daily basis

The AP straddles FY 2007 and FY 2008. As the AIA only became applicable in 2008, there is no allowance for 2007.

No of AP days in FY2 = 275 (01/04/08 to 31/12/08)

Apportioned AIA for FY2 $(50,000 / 365) * 275 = 37,671.23$

Rounded up the apportioned AIA limit is 37,672

Box 172 + Box 173 $\leq 37,672$

Monthly basis

The AP straddles FY 2007 and FY 2008. As the AIA only became applicable in 2008, there is no allowance for 2007.

No of AP months in FY2 = 9 (01/04/08 to 31/12/08)

Apportioned AIA for FY2 $(50,000 / 12) * 9 = 37,500.00$

Rounded up the apportioned AIA limit is 37,500

Box 172 + Box 173 $\leq 37,500$

2. AP 01/04/08 to 31/08/08

Daily Basis

The AP is wholly within the same FY.

No of AP days in FY1 = 153 (01/04/08 to 31/08/08)

Apportioned AIA for FY1 $(50,000 / 365) * 153 = 20,958.90$

Rounded up the apportioned AIA limit is 20,959

Box 172 + Box 173 $\leq 20,959$

Monthly Basis

The AP is wholly within the same FY.

No of AP months in FY1 = 5 (01/04/08 to 31/08/08)

Apportioned AIA for FY1 $(50,000 / 12) * 5 = 20,833.33$

Rounded up the apportioned AIA limit is 20,834

Box 172 + Box 173 $\leq 20,834$

3. AP 01/06/08 to 28/02/09

Daily Basis

. The AP is wholly within the same FY.

No of AP days in FY1 = 273 (01/06/08 to 28/02/2009)

Apportioned AIA for FY1 $(50,000 / 365) * 273 = 37,397.26$

Rounded up the apportioned AIA limit is 37,398

Box 172 + Box 173 $\leq 37,398$

Monthly basis

The AP is wholly within the same FY.

No of AP months in FY1 = 9 (01/06/08 to 28/02/09)

Apportioned AIA for FY1 $(50,000 / 12) * 9 = 37,500.00$

Rounded up the apportioned AIA limit is 37,500

Box 172 + Box 173 $\leq 37,500$

4. AP 01/10/08 to 31/07/09

Daily Basis

The AP straddles two Fys.

No of AP days in FY1 = 182 (01/10/08 to 31/03/09)

Apportioned AIA for FY1 $(50,000 / 365) * 182 = 24,931.51$

No of AP days in FY2 = 122 (01/04/09 to 31/07/09)

Apportioned AIA for FY2 $(50,000 / 365) * 122 = 16,712.33$

Rounded up the apportioned AIA limit 41,644

Box 172 + Box 173 $\leq 41,644$

Monthly basis

The AP straddles two Fys.

No of AP months in FY1 = 6 (01/10/08 to 31/03/09)

Apportioned AIA for FY1 $(50000 / 12) * 6 = 25,000.00$

No of AP months in FY2 = 4 (01/04/09 to 31/07/09)

Apportioned AIA for FY2 $(50,000 / 12) * 4 = 16,666.66$

Rounded up the apportioned AIA limit is 41,667

Box 172 + Box 173 $\leq 41,667$

5. AP 04/10/08 to 25/06/09

Daily Basis

The AP straddles two Fys.

No of AP days in FY1 = 179 (04/10/08 to 31/03/09)

Apportioned AIA for FY1 $(50,000 / 365) * 179 = 24,520.55$

No of AP days in FY2 = 86 (01/04/09 to 25/06/09)

Apportioned AIA for FY2 $(50,000 / 365) * 86 = 11,780.82$

Rounded up the apportioned AIA limit is 36,302

Box 172 + Box 173 $\leq 36,302$

Monthly Basis

Not appropriate as the period in question does not consists of whole calendar months. Apportionment must be made on a daily basis.

6. AP 01/01/10 to 31/12/10

Daily Basis

The AP straddles two Fys (and 01/04/10).

No of AP days in FY1 = 90 (01/01/10 to 31/03/10)

Apportioned AIA for FY1 $(50,000 / 365) * 90 = 12,328.76$

Rounded up to 12,329

No of AP days in FY2 = 275 (01/04/10 to 31/12/10)

Apportioned AIA for FY2 $(100,000 / 365) * 275 = 75,342.46$

Rounded up to 75,343

The apportioned AIA limit is 87,672

Box 172 + Box 173 $< = 87,672$

Monthly basis

The AP straddles two Fys and (01/04/10).

No of AP months in FY1 = 3 (01/01/10 to 31/03/10)

Apportioned AIA for FY1 $(50,000 / 12) * 3 = 12,500$

Apportioned AIA for FY1 is 12,500

No of AP months in FY2 = 9 (01/04/10 to 31/12/10)

Apportioned AIA for FY2 $(100,000 / 12) * 9 = 75,000$

Apportioned AIA for FY2 is 75,000

The apportioned AIA limit is 87,500

Box 172 + Box 173 $< = 87,500$

7. AP 01/02/10 to 30/04/10

Daily Basis

The AP straddles two Fys (and 01/04/10).

No of AP days in FY1 = 59 (01/02/10 to 31/03/10)

Apportioned AIA for FY1 $(50,000 / 365) * 59 = 8,082.19$

Rounded up to 8,083

No of AP days in FY2 = 30 (01/04/10 to 30/04/10)

Apportioned AIA for FY2 $(100,000 / 365) * 30 = 8,219.17$

Rounded up to 8,220

The apportioned AIA limit is 16,303

Box 172 + Box 173 $< = 16,303$

Monthly basis

The AP straddles two Fys (and 01/04/10).

No of AP months in FY1 = 2 (01/02/10 to 31/03/10)

Apportioned AIA for FY1 $(50,000 / 12) * 2 = 8,333.33$

Rounded up to 8,334

No of AP months in FY2 = 1 (01/04/10 to 30/04/10)

Apportioned AIA for FY2 $(100,000 / 12) * 1 = 8,333.33$

Rounded up to 8,334

The apportioned AIA limit is 16,668

Box 172 + Box 173 $< = 16,668$

8. AP 01/04/10 to 31/12/10

Daily Basis

. The AP is wholly within the same FY.

No of AP days in FY1 = 275 (01/04/10 to 31/12/10)

Apportioned AIA for FY1 $(100,000 / 365) * 275 = 75,342.46$

Rounded up the apportioned AIA limit is 75,343
Box 172 + Box 173 < = 75,343

Monthly basis

The AP is wholly within the same FY.

No of AP months in FY1 = 9 (01/04/10 to 31/12/10)
Apportioned AIA for FY1 (100,000 / 12) * 9 = 75,000
Rounded up the apportioned AIA limit is 75,000

Box 172 + Box 173 < = 75,000

9. AP 01/01/12 to 31/12/12

Daily Basis

The AP straddles two Fys (and 01/04/12).

No of AP days in FY1 = 91 (01/01/12 to 31/03/2012)
Apportioned AIA for FY1 (100,000 / 365) * 91 = 24,931.51
Rounded up to 24,932
No of AP days in FY2 = 275 (01/04/12 to 31/12/2012)
Apportioned AIA for FY2 (25,000 / 365) * 275 = 18835.62
Rounded up to 18836
The apportioned AIA limit is 43768
Box 172 + Box 173 < = 43768

10. AP 01/02/12 to 30/04/12

Daily Basis The AP straddles two Fys (and 01/04/12).

No of AP days in FY1 = 60 (01/02/2012 to 31/03/2012)
Apportioned AIA for FY1 (100,000 / 365) * 60 = 16,438.36
Rounded up to 16,439
No of AP days in FY2 = 30 (01/04/12 to 30/04/2012)
Apportioned AIA for FY2 (25,000 / 365) * 30 = 2054.79
Rounded up to 2055
The apportioned AIA limit is 18494
Box 172 + Box 173 < = 18494

Monthly basis

The AP straddles two Fys (and 01/04/12).

No of AP months in FY1 = 2 (01/02/12 to 31/03/12)
Apportioned AIA for FY1 (100,000 / 12) * 2 = 16,666.66
Rounded up to 16,667
No of AP months in FY2 = 1 (01/04/12 to 30/04/12)
Apportioned AIA for FY2 (25,000 / 12) * 1 = 2083.33
Rounded up to 2,084
The apportioned AIA limit is 18,751
Box 172 + Box 173 < = 18,751

4. Annual Constants	2007	2008	2009	2010	2011	2012
Allowance Limits						
Annual Investment Allowance (AIA)	N/A	50,000	50,000	100,000	100,000	25,000