HM Revenue & Customs

Annual Investment Allowance - Appendix C

CT Return Version 2.0

Corporation Tax Online

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1. Introduction

1.1 Purpose

The purpose of this document is to extend the XML Schema documentation for CT to include guidance on 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.

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 can 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, apportion the AIA limit relevant to each financial year (see examples 6 and 7 below).

Daily basis

Define the number of Days to apportion the AIA by (D)
If No. of AP days = 366 then
$\qquad$ D = 366
Else D = 365

Where the AP straddles 01/04/2008 D = 365 (see examples 1 and 2 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[1]
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
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
Apportioned AIA for FY2 = (AIA / M) * No of AP Months in FY2

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[1] A period beginning before 1 April 2010 and ending on or after 1 April 2010.

If the AP straddles 01/04/2010
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
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

1. 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 < = 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 < = 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 < = 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 < = 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 < = 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 < = 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 < = 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 < = 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 < = 36,302

Monthly Basis

    Not appropriate as the period in question does not consist 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

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