

Project Data

Belgium

The investment project under consideration is the expansion of one of the company's existing facilities in Belgium where the currency is the Euro (EUR).

The project can be funded from the company's existing resources and you have been provided with the following forecast information by the board of directors:

Life of the expanded facility	10	years		
Equipment				
Cost	EUR	3,000,000	which qualifies for capital allowances	
Disposal proceeds	EUR	150,000	in money terms at the end of the project	
Working capital requirement	EUR	200,000	which will be released at the end of the project	
Additional units sold		15,000	per annum	
Selling price per unit	EUR	100.00	which is expected to change by	+1% per annum
Direct cost per unit	EUR	50.00	which is expected to change by	-1% per annum
Additional staff cost	EUR	120,000	which is expected to change by	+2% per annum
Additional overhead cost *	EUR	325,000	which is expected to remain unchanged	

** including depreciation calculated on the straight line basis*

You have also gathered the following information:

Current foreign exchange rate (EUR/GBP) 0.8530

	UK	Belgium
General inflation rate	3.5%	2.01%
Corporate tax rate	25%	25%
Capital allowance rate	25%	20%

There is a double tax treaty in place between the two countries

Tax cash flows are deferred by one year