Edinburgh accountants say businesses should act now for potential tax break

Tax specialists are urging Scottish businesses to take advantage of a generous government "super-deduction" before it disappears.

Experts at accountancy practice Douglas Home & Co say the potential 130% tax deduction is ideal for businesses considering a post-Covid workplace revamp, but have warned that firms will have to move quickly.

The Edinburgh based firm has revealed how it has benefitted from the super deduction by refurbishing two of its offices in the Borders and is urging others to make the most of the tax break while it is available.

The tax giveaway for major capital investments is due to expire at the end of March 2023. For companies that apply in time there could be a tax reduction of up to 25p for every £1 that they invest, meaning a £1m investment could result in a corporation tax saving of £247,000, compared with just £190,000 under the previous system.

Sheryl Macaulay

Sheryl Macaulay, one of six directors at Douglas Home & Co, which operates across Scotland and the north of England, said: “Remarkably this potential tax break has flown under the radar. It has been such a tumultuous year since it became available that many people have simply missed it.

“Countless firms are looking at how to reconfigure their offices and workplaces to make the best possible use of space as new hybrid working patterns become the norm. This super-deduction is absolutely perfect for that.

“We’ve not only helped many of our clients to benefit from this, we have walked the walk and used it for our own business, to deliver a major refurbishment of our newly purchased Hawick office. That created additional workspaces for 23 staff as well as creating a new hub in our headquarters in Kelso."

However, Sheryl urged businesses keen to explore the possibilities to start preparing as soon as possible, because major capital investments typically take time to plan and deliver.

She added: "While the super-deduction is still available for just over a year, business people know how quickly that time passes when you are talking about major capital investments. Those are not snap decisions and generally need extremely careful planning and decision-making.

"There is still ample time for businesses to benefit, but we are urging companies to get in touch with us as soon as possible, to find out if they qualify to unlock these extremely significant tax breaks.

"It will be a terrible waste of an opportunity for any business which is definitely going to have a major, post-Covid refurbishment of its workplace, but misses out on this.

"The rules are complex, so it is essential that any company that wishes to take advantage is getting advice from experts who fully understand the system and can make the process worthwhile."

The super-deduction is the main element of a range of capital allowance sweeteners launched by the Government in April 2021 to boost business investment. Even before the pandemic, the UK suffered historically low levels of such investment compared with similar nations – and those levels plummeted by a further 11.6% after Covid struck.

The main focus of the super deduction is on business "plant and machinery", an extensive catch all that can cover everything from tractors and lorries to foundry equipment and refrigeration units.

While building structures are not included, what is less widely known is that the super deduction extends to cover a host of fixtures and fittings – including computer equipment, office chairs and desks, toilets, kitchen areas and a host of other office and workplace assets.

Sheryl says the Douglas Home & Co team can help businesses navigate quickly around the qualification criteria and other potential obstacles. For example, the super-deduction is available to companies that pay corporation tax, therefore sole traders and partnerships cannot qualify. Also, assets ***must*** be bought brand-new – items cannot be used, second-hand or leased.

Sheryl added: “This is a huge caveat for many of our rural and farming clients. It could be catastrophic for a farmer investing large sums of money in a second hand combine harvester – only to find out after purchase that it doesn’t qualify for the super-deduction. That’s why It is vital to get advice up front.”

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