CHAPTER 13

CAPITAL ALLOWANCES – CARS AND OTHER ASSETS

Statutory references in this chapter are to CAA 2001 unless otherwise stated.

13.1 Cars

CAA 2001, s. 268A

The definition of a "car" for capital allowances purposes is a mechanically propelled vehicle except a vehicle:

- constructed in such a way that it is **primarily suited for transporting goods** of any sort; or
- of a type which is **not commonly used as a private vehicle** and is not suitable for use as a private vehicle.

Lorries, vans, trucks etc are not therefore "cars" for capital allowances and will be treated in the same way as "standard" pieces of plant and machinery. Motorcycles are not cars.

For cars bought before 6 April 2009 (1 April 2009 for companies) the capital allowances legislation differentiates between:

1) "Cheap" cars (being cars costing **£12,000 or less**); and
2) Expensive cars (cars costing **more than £12,000**).

All such cars costing £12,000 or less are included as additions in the **general pool** and obtain writing down allowances at 20%.

Cars do not qualify for the AIA or the temporary 40% FYA. There is an exception for cars with **CO_2 emissions of no more than 110 g/km on which FYAs are available at 100%.** CAA 2001, s. 45D

13.2 Expensive cars acquired before 6 April 2009

Expensive cars do not enter the general pool. A separate capital allowances column is kept for **each expensive car** (making compliance difficult for businesses with large car fleets). CAA 2001, s. 74

The **writing down allowance** on expensive cars is restricted to the **<u>lower</u> of**: CAA 2001, s. 75

- **20% of the tax written down value; or**
- **£3,000.**

The maximum CA that can be claimed for a car in any 12-month period is therefore £3,000. The £3,000 maximum writing down allowance applies for a 12-month accounting period. Therefore where the accounting period is longer or shorter than 12 months, the £3,000 WDA on an expensive car is scaled up or down as appropriate.

The Government changed the rules on cars from April 2009 such that all capital allowances will be based on the CO2 emissions of the car. The distinction between "cheap" and "expensive" cars has been scrapped.

Cars bought before 6 April 2009 (1 April 2009 for companies) will continue to be subject to the old "expensive" car rules for a transitional period of around five years after which, any remaining written down value will be transferred to the general pool.

13.3 Cars bought from April 2009

Changes to the rules on cars were confirmed in Finance Act 2009.

The new rules have effect for expenditure incurred on cars bought on or after 6 April 2009 for sole traders and partnerships and on or after 1 April 2009 for companies.

From April 2009, we need to look at the **car's CO_2 emissions**.

Cars with **CO_2 emissions of no more than 110 g/km** continue to be eligible for a **100% FYA**. CAA 2001, s.45D

Expenditure on cars with **CO_2 emissions of between 111g/km and 160g/km** is added to the **general pool and attracts a WDA at 20%.** CAA 2001, s. 104AA & CAA 2001, s. 54(6)

Cars with **CO_2 emissions exceeding 160g/km** are dealt with in the **special rate pool and attracts a WDA at 10%.** CAA 2001, s. 104A

Illustration 1

A trader draws accounts to 31 March. At 1 April 2010, the tax written down value brought forward is £100,000 on the general pool and £16,000 on a BMW car which was purchased in June 2008.

During the year the trader bought an Audi car for £24,000 with CO_2 emissions of 164g/km.

The capital allowances computation will be:

Y/e 31 March 2011	*General Pool*	*Expensive car BMW*	*Special Rate Pool*	*Total CAs*
	£	£	£	£
Tax wdv b/f	100,000	16,000		
Addition – Audi CO_2 > 160g/km			24,000	
WDA @ 20%	(20,000)			20,000
WDA @ 20% but restricted		(3,000)		3,000
WDA @ 10%			(2,400)	2,400
WDV c/f at 31.3.11	80,000	13,000	21,600	25,400

Note that the BMW originally cost more than £12,000 before April 2009, so it is kept in its own column and the old rules apply.

The new Audi has emissions greater than 160g/km and so falls into the special rate pool with a writing down allowance of 10%.

13.4 Balancing allowances and charges

"Balancing adjustments" apply when single assets **in their own pool are sold**. The sale of an expensive car bought before April 2009 will therefore give rise to a "balancing adjustment". CAA 2001, s. 61

When an asset in its own pool is sold, the disposal proceeds are deducted from the pool. These **proceeds** are **limited to original cost**. CAA 2001, s. 62

The proceeds deducted from the pool will either:

a) **exceed** the tax written down value of the pool; or
b) be **less than** the tax written down value of the pool.

Where **proceeds exceed** the tax written down value in the pool, a **balancing charge** will arise. The balancing charge is a "negative capital allowance" – it decreases CAs for the year and is an additional trading profit.

Where proceeds are **less than** the tax written down value, a **balancing allowance** will arise. A balancing allowance is a capital allowance – it increases the total capital allowances claim for the year.

Balancing adjustments do not (usually) arise on pooled assets (e.g. the general or special rate pool) until the cessation of the trade. We will look at this later.
Illustration 2

Julie (a trader) draws accounts to 31 December. At 1 January 2010, the written down values brought forward are £20,000 on the general pool and £15,000 on a Toyota car which she had bought in March 2008 for £21,000.

In May 2010, Julie sold the Toyota for £13,000.

The capital allowances computation will be:

Y/e 31 December 2010	General Pool	Expensive car Toyota	Total CAs
	£	£	£
Tax wdv b/f at 1.1.10	20,000	15,000	
Disposal		(13,000)	
Balancing allowance		2,000	2,000
WDA @ 20%	(4,000)		4,000
WDV c/f at 31.12.10	16,000		
CA claim			6,000

The balancing allowance effectively compensates Julie for the loss she has incurred on the sale of the Toyota expensive car. Another way to arrive at the balancing allowance is as below:

	Toyota
	£
Cost (March 2008)	21,000
Sale proceeds (May 2010)	(13,000)
Loss on sale	8,000
Less; CAs claimed up to sale (2 x £3,000)	(6,000)
Balancing allowance on sale	2,000

The balancing adjustment is effectively the difference between the loss on sale and the CAs given so far.

13.5 Private use adjustments

CAA 2001, s. 205

Sole traders or partnerships may use assets for both business and private purposes. For example, it is common for a sole trader to have a car which he will use mainly for business, but at the weekends or in the evenings he will also use it for private purposes.

If all the costs of running the car are paid for by the business, the tax computations must be adjusted to take account of the private use. Therefore **motor expenses** in the profit and loss account will be **reduced for the private element** of those costs.

Likewise when we consider the **capital allowance computations,** the capital allowance will be **reduced by the private element**. The private element is normally given as a percentage which is then applied to the computations. In practice the private usage will be agreed with HMRC.

Private use adjustments never apply to companies. It is not physically possible for a company to have private use of an asset – for example, a company cannot use a car in the evenings to go to the cinema!

The director of the company might use a company car for his private purposes. However this will **not affect** the tax computations for the company. Instead:

1) trading deductions and capital allowances will be **available to the company in full**; and

2) the director will have a **taxable benefit** for the use of the car under the car benefit rules.

For a sole trader or partnership, the **private proportion** of AIA, FYAs, WDAs or balancing adjustments **must be removed from the computation,** so all that remains is the **business element** of the allowance. It is this "business" allowance which is deducted from adjusted profits to arrive at Trading Income. CAA 2001, s. 207

Any assets which are used partly for business and partly for private purposes must be shown separately in their own column in the capital allowance computation. CAA 2001, s. 206

Illustration 3

Amy owns a beauty salon and has a year-end of 31 January 2011. She drives an Audi A3, the running costs of which are charged through the business. Business use has been agreed with HMRC at 60%.

The written down value brought forward on the general pool is £12,000 and the Audi A3 (which was bought in May 2008) is £9,000.

Because there is a private use element, the Audi is shown in its own column.

The capital allowances for the year ended 31 January 2011 are as follows:

Y/e 31 January 2011	*General Pool*	*Audi A3*		*CA claim*
	£	£		£
Tax wdv b/f	12,000	9,000		
WDA @ 20%	(2,400)			2,400
WDA @ 20%		(1,800)	x 60%	1,080
WDV c/f	9,600	7,200		
Total claim				3,480

Note that the WDA on the Audi A3 car is calculated in the normal way, and the full amount is deducted from the tax written down value. However, only the business element of the allowance is then taken across to the "claim" column.

Note also that a private use adjustment must be made to any balancing allowance or balancing charge which may arise when a "private use" asset is sold.

Cars acquired on or after 6 April 2009 (1 April 2009 for companies), where the WDA is based on CO_2 emissions, must also be shown in **a separate column where there is private use** by the sole trader or partner in a partnership.

The full WDA at either 10% or 20% is deducted from the tax written down value of the car but only the business use element is taken across into the "claim" column.

13.6 Short life assets

CAA 2001, s.83-s.84

A "short life" asset is an asset with a **predicted useful life of less than 4 years**. Computer equipment is a common example.

Certain assets are excluded from short-life asset treatment. These include cars, ships, long-life assets, and assets with partial non-business use. Expenditure within the "special rate pool" (integral features etc) is also excluded.

If a business acquires an asset and does not expect it to last for more than 4 years, the business can make an election to "**depool"** that asset. The effect of the election is that the asset is thereafter dealt with separately, i.e. the asset does not enter the general pool but instead **stands on its own in a separate column**.

CAA 2001, s. 85

The advantage of the asset being "depooled" is that a **balancing allowance** will arise if the asset is sold at a loss within the 4-year period. This would not be the case if the asset was in the general pool. The short life asset election therefore has the effect of **accelerating capital allowances** into the year in which the asset is sold.

CAA 2001, s. 86

Strictly, each short-life asset should go into its own separate pool so that allowances on it are calculated separately. However this may not be practical where such assets are bought in large numbers. HMRC therefore accept that **large numbers of short-life assets can be "bunched"** as long as the capital allowance computations give the correct statutory result and do not abuse the short life asset (SLA) provisions.

Illustration 4

BIG Industries plc is a large multinational company trading in the telecommunications sector. It draws accounts annually to 31 December.

In March 2009 the company bought 1,000 computer monitors for £200 each for use in its trade. The company expects the monitors to last for 2½ years at which point it will sell them for £30 each. Its general pool at 1 January 2009 was £400,000.

BIG Industries plc is in a large group of companies. The AIA has already been used by other group companies hence no AIA is available to Big Industries plc.

Note also that the expenditure does not qualify for a temporary first-year allowance as the computers were purchased before 1 April 2009.

1) Assuming no SLA election made.

   a) Expenditure (1,000 x £200 = £200,000) goes into the general pool and is written down as normal; and

   b) The sale in September 2011 (1,000 x £30 = £30,000) is treated as a disposal from the pool.

	General Pool	*CA claim*
Y/e 31.12.09:	£	£
WDV b/f	400,000	
Addition	200,000	
	600,000	
WDA @ 20%	(120,000)	120,000
WDV c/f	480,000	
Y/e 31.12.10:		
WDV b/f	480,000	
WDA @ 20%	(96,000)	96,000
WDV c/f	384,000	
Y/e 31.12.11:		
WDV b/f	384,000	
Disposal	(30,000)	
	354,000	
WDA @ 20%	(70,800)	70,800
WDV c/f	283,200	

2) Assuming SLA election made.

   a) Expenditure (1,000 x £200 = £200,000) goes into a separate "short-life asset" pool and is written down; and

   b) The sale in September 2011 (1,000 x £30 = £30,000) is treated as a disposal from the SLA pool, giving rise to a balancing allowance.

	General Pool	*SLA*	*CA claim*
Y/e 31.12.09:	£	£	£
WDV b/f	400,000		
Addition		200,000	
WDA @ 20%	(80,000)	(40,000)	120,000
WDV c/f	320,000	160,000	
Y/e 31.12.10:			
WDV b/f	320,000	160,000	
WDA @ 20%	(64,000)	(32,000)	96,000
WDV c/f	256,000	128,000	

Y/e 31.12.11:			
WDV b/f	256,000	128,000	
Disposal		(30,000)	
Balancing Allowance		98,000	98,000
WDA @ 20%	(51,200)		51,200
WDV c/f	204,800		149,200

The effect of the SLA election has been to accelerate more capital allowances into the y/e 31 December 2011.

If the asset is still in use more than 4 years after the end of the year of acquisition (i.e. after **5 lots** of WDAs have been claimed on it), the **written down value is transferred to the general pool**. There is therefore no downside to making a short-life asset election (other than having to do the associated paperwork). CAA 2001, s. 86

13.7 Cessation of a business

CAA 2001, s.65

When a business closes down, the various different capital allowances columns must also be shut-down. As the trade will no longer continue, no written down values will be carried forward. Instead **balancing adjustments will arise** in each of the separate pools.

The balancing adjustment is found by taking the tax written down value brought forward and deducting the proceeds of sale (limited to original cost). A "positive" balance is a balancing allowance. A "negative" balance (where sales proceeds exceed the written down value) is a balancing charge.

No writing down allowances, AIAs or FYAs are given in the year of cessation.

Illustration 5

Caroline ran a gift card shop in Suffolk for many years. She drew accounts annually to 31 December. On 31 October 2010 Caroline retired and sold her business to a major gift-card chain. As part of the total sales consideration she received £5,000 for her plant and machinery and £14,000 for her Lexus car.

The written down value brought forward on the general pool at 1 January 2010 was £6,000 and on the Lexus was £13,000. Business use of the Lexus was 60%. In May 2010 she had bought some new shelving for her shop at a cost of £1,500.

Her capital allowances for the final period to 31 October 2010 are as follows:

	General Pool	*Lexus*		*CA claim*
P/e 31 October 2010	£	£		£
Tax wdv b/fwd	6,000	13,000		
Addition (shelving)	1,500			
	7,500			
Disposal of plant	(5,000)			
Disposal of car	____	(14,000)		
Balancing allowance	2,500			2,500
Balancing charge		(1,000)	x 60%	(600)
Total for period				1,900

Note that no annual investment allowances at 100% are given on the shelving, and that the balancing adjustment on the Lexus has been apportioned because of the private use.

Where on a cessation of trade the vendor sells his/her business to a "connected person" the two parties can **jointly elect to transfer all plant and machinery at its tax written down value** (thereby avoiding a balancing adjustment on sale). This is most commonly seen when a sole trader incorporates his business by transferring it to a company he controls. CAA 2001, s. 266 - s. 267

13.8 Balancing adjustments – General Pool

A balancing allowance will only ever arise in the general pool on the **cessation of trade**.

A balancing charge can however arise in the general pool while the trade is continuing. This will happen if plant is sold in the year and the **disposal proceeds exceed the tax written down value** of the pool. CAA 2001, s. 56(6)

Illustration 6

Basil runs a restaurant. He draws accounts to 31 March. In July 2010 he bought plant and machinery for £50,000. In August 2010 he sold some old dining tables and chairs for £13,000 (original cost £18,500). The tax written down value of the general pool at 1 April 2010 was £12,000.

His capital allowances for the year ended 31 March 2011 are as follows:

	AIA @ 100%	*General Pool*	*CA claim*
Y/e 31 March 2011	£	£	£
Tax wdv b/fwd		12,000	
Additions	50,000	____	
	50,000	12,000	
Disposal of plant		(13,000)	
Balancing charge		(1,000)	(1,000)
AIA @ 100%	(50,000)		50,000
WDV c/f		NIL	49,000

13.9 "Know-how"

CAA 2001, s. 452

The following rules on "know-how" only apply to sole traders and partnerships. **They do not apply for companies**. Expenditure incurred by companies is dealt with under the rules for intellectual property introduced in 2002.

Know-how is a type of **intellectual property**. It is "industrial information or techniques likely to assist in the manufacture or processing of goods or materials". Therefore only information relevant to industrial or technical processes is within the definition of "know-how".

Things like market research, customer lists and sales techniques are concerned with selling goods or materials once they have been manufactured. This is "commercial" know-how and is not within the definition of know-how in the Capital Allowances Act. **Commercial know-how does not qualify for capital allowances.**

Know-how allowances are capital allowances. They are available on capital expenditure incurred on the acquisition of know-how for use in a trade. The allowances are **writing down allowances** (WDAs) to be deducted from trading profits in the normal way. CAA 2001, s. 454

The system of WDAs for know-how is **similar to the system of WDAs for plant and machinery**. WDAs are given on a pool of qualifying expenditure. All know-how expenditure is pooled together and allowances and charges are calculated by reference to the total. They are not calculated separately for each item of qualifying expenditure. CAA 2001, s. 456

The **rate of WDAs is 25%.** The rates are scaled up or down for long or short accounting periods. **There are no FYAs** (the annual investment allowance does not apply to know-how). CAA 2001, s. 458

Balancing allowances and balancing charges arise on a sale of know-how as they do with plant and machinery allowances. A balancing allowance will only arise on the cessation of the trade. A balancing charge will arise if disposal proceeds exceed the tax written down value in the pool. CAA 2001, s. 457

The one major difference from the plant and machinery system is that for know-how the **disposal proceeds to be deducted from the pool CAN exceed original costs**. CAA 2001, s. 462

13.10 Patents

CAA 2001, s. 464

The following rules on patents only apply to sole traders and partnerships. **They do not apply for companies**. Expenditure incurred by companies is dealt with under the rules for intellectual property introduced in 2002.

A **patent** consists of rights (conferred by letters) for the exclusive use and benefits of a particular invention. A patent will usually last for a specified period. Patents are obtained by application to the Patent Office.

A patent is a **form of protection for an inventor**. A person who wants to use an invention that has been patented must acquire rights to use the patent or be granted a licence to use it. This allows the inventor to control the way in which the invention is used. Once a patent has been granted, the inventor can generate income by granting rights or a licence to use it.

Patent allowances are **capital allowances given on capital expenditure incurred on the purchase of patent rights**. A person who acquires a licence in respect of a patent is treated as buying patent rights. The person who acquires a licence in respect of a patent can thereafter claim capital allowances. CAA 2001, s. 466

The current system of patent allowances is **similar to the system of plant and machinery allowances**. Expenditure is pooled and allowances are given at an **annual rate of 25%** on a reducing balance basis. CAA 2001, s. 470, 472

Balancing allowances and balancing charges may arise on a sale of patent rights. A balancing allowance can only arise on the cessation of the trade. A balancing charge will arise if disposal proceeds exceed the tax written down value in the pool. As with plant and machinery allowances, **disposal proceeds ARE restricted to original cost.** CAA 2001, s. 471 CAA 2001, s. 476, 477, 478

Profits from a sale of patent rights are charged to income tax. The profits are generally **spread over 6 years** (i.e., the seller is taxed on one-sixth of the profit in each of the six years beginning with the year in which the proceeds are received). ITTOIA 2005, s. 587 -590

Alternatively, the taxpayer can elect to have the whole of the profit taxed in the year in which the proceeds were received (advantageous if the trader has losses to mop-up the patent profits).

13.11 "Long funding" leases

Introduction

A new regime was brought in for "long funding" leases from 1 April 2006. "Long funding" leases are **leases of more than 5 years**. The rules cover both operating and finance leases.

Long funding finance leases

The substance of a long funding finance lease is that the lessor (the legal owner of the plant and machinery) is effectively lending money to the lessee (the person using the asset) to enable the lessee to buy the plant and machinery.

The way in which a long funding lease is taxed is therefore to treat the lessee as the owner of the plant and machinery who has purchased the plant and machinery by way of a loan. The lessor is effectively the finance provider.

Therefore **the lessee claims capital allowances** as if he owned the plant and machinery. Consequently, any deductions the lessee has made for depreciation expense must be added back for tax purposes, since capital allowances are given to the lessee instead. CAA 2001, s. 70A

The **lessee can also deduct the proportion of any rental payments** he makes to the lessor that are deemed to relate to the financing costs of taking out a loan (i.e. the amount of any rental payments which are effectively the interest expense suffered on the loan).

The lessor will be taxed on the finance element of the rentals received only (i.e. the interest received). The rest of the rental payments received by the lessor will not be taxed, but in return the lessor will not be able to claim capital allowances on the plant and machinery being leased out.

The capital allowances claimed by the lessee

Allowances can be claimed on the "capital expenditure". For a long funding finance lease, the amount of the capital expenditure is the **present value of the minimum lease payments** under the lease. CAA 2001, s. 70C

When the lease terminates, the lessee will be treated as having made a disposal for capital allowance purposes, giving rise to a balancing allowance or balancing charge. The amount to be deducted as "proceeds" is any amounts received by the lessee on the termination of the lease.

Where a finance lease comes to an end the plant and machinery is normally sold. The lessor may sell the plant and machinery for more or less than the 'residual value' estimated at the start of the lease.

Where the **sale proceeds are in excess of the residual value**, this 'excess' is paid to the lessee in the form of a rebate of rentals. This '**rent rebate' is not tax deductible for the lessor** and is treated as the **sale proceeds for the lessee** on the disposal of the plant and machinery.

Where the **sale proceeds are less than the residual value**, the **lessor recognises a loss for tax purposes** equal to the difference between the residual value and the amount received. The lessee receives nothing in this case hence **the lessee's sale proceeds are nil** for the purposes of their capital allowances computation.

Illustration 7

A large company enters into a 10-year finance lease on some plant and machinery on 1 April 2010. The present value of the minimum lease payments under the lease is £250,000. The annual rentals are £28,000. The finance charge in the accounts is £23,000.

At the end of the contract, the lessor sells the plant for sale proceeds in excess of the residual value and pays £30,000 to the lessee.

The lessee can claim the following in its accounts:

Year 1

- Capital allowances (ignoring AIA): 20% x £250,000, and
- A deduction for the finance charge of £23,000

Years 2 to 9

- Capital allowances: 20% of the reducing balance, and
- A deduction for the finance charge of £23,000.

Year 10 (year of termination)

- £30,000 is brought into the capital allowances pool as the sale proceeds on disposal of the plant and machinery. The TWDV at the end of Year 9 will be £33,554, giving a balancing allowance of £3,554.

- A deduction will also be available for the finance charge of £23,000 in the accounts.

The **lessor** will be taxed on the £23,000 finance element of the rental charges each year. No deduction will be given for the payment of £30,000 to the lessee on the termination of the lease.

Long funding operating leases

In general, operating leases can be regarded as simply an arrangement to lease the asset.

The basic principles of a long funding operating lease are similar to those of a finance lease in that the **lessee claims capital allowances** on the plant **and** machinery and is **allowed to deduct a the proportion of any rental payments** he makes to the lessor.

The **lessor is only taxed on part of the rental payments received** from the lessee and is again not able to claim any capital allowances on the plant and machinery being leased out.

The capital allowances claimed by the lessee

For a long funding operating lease, the capital expenditure is the **market value of the plant or machinery** at the later of: CAA 2001, s. 70B

i. the commencement of the lease; or
ii. the date on which the plant or machinery is first brought into use for the purpose of the trade.

The restriction re rental payments / receipts

The restriction which applies both to the amount of rental payments for which the lessee is allowed tax relief (in addition to capital allowances on the plant and machinery) and to the amount of the rental receipts on which the lessor is taxed is calculated as follows:

$$\text{Restriction} = \frac{\text{Estimated decrease in value of plant \& machinery over life of lease}}{\text{Life of lease}}$$

The restriction is therefore the annual fall in value of the plant and machinery. This is effectively the amount on which the lessee will claim capital allowances.

In summary then:

Lessor		Lessee	
Rent receivable under operating lease	X	Rents payable under operating lease	X
Less: 'restriction'	(X)	Less: 'restriction'	(X)
Amount of rental income taxable	X	Amount of rental payments given tax relief	X
		+	
		Tax relief for capital allowances	X

Example 1

Tanya started in business as mobile hairdresser on 1 May 2010. She drew her first accounts for the 8-months to 31 December 2010. She has one full-time employee, Chelsey.

Her capital expenditure in the period was as follows;

		£
1.5.10	Ford Focus car (CO_2 of 169g/km) (for Tanya)	18,000
1.5.10	Renault Clio car (CO_2 of 139g/km) (for Chelsey)	6,000
1.5.10	Hair dryers, straighteners and scissors	5,000
1.7.10	Lap top computer	2,000

Private use of both cars is 30%.

Calculate Tanya's capital allowances for the period ended 31 December 2010.

Example 2

Albert is a scrap metal dealer. He draws accounts annually to 30 September 2010. His tax written down values at 1 October 2009 were as below;

General pool	£36,000
Jaguar car (CO_2 of 209g/km) (used by Albert)	£15,000
Citroen car (CO_2 of 143g/km) (used by employee)	£13,000

The Jaguar car was acquired on 1 March 2008 and the Citroen was acquired on 1 January 2009.

He sold the Jaguar in June 2010 for £17,000, replacing it with a BMW on a 3-year finance lease (CO_2 of 182g/km).

Private use of the Jaguar and BMW was 25%. Private use of the Citroen was 90%.

Calculate Albert's capital allowances for the year ended 30 September 2010.

Answer 1

8 m/e 31 December 2010	AIA@ 100%	General Pool	Ford car		Total CAs
	£	£	£		£
Additions:					
Ford Focus CO_2 > 160g/km			18,000		
Renault CO_2 <160g/km		6,000			
Hair dryers	5,000				
Computer	2,000				
	7,000				
AIA @ 100%	(7,000)				7,000
WDA @ 20% x 8/12		(800)			840
WDA @ 10% x 8/12			(1,200)	x 70%	840
TWDV c/fwd		5,200	16,800		
CA claim					8,640

Maximum AIA = £100,000 x 8/12 = £66,667

Both cars were acquired after 6 April 2009, hence their treatment depends on their CO_2 emissions.

The Ford car goes into its own column rather than into the special rate pool since it is also used privately by Tanya, the sole trader.

Answer 2

Y/e 30 September 2010	General Pool	Jaguar car	Citroen car		Total CAs
	£	£	£		£
Tax wdv b/fwd	36,000	15,000	13,000		
Disposals:					
Jaguar car		(17,000)			
Balancing charge		(2,000)		x 75%	(1,500)
WDA @ 20%	(7,200)				7,200
WDA @ 20%			(2,600)		2,600
					8,300
TWDV c/fwd	28,800		10,400		

No CAs are available to Albert on the finance lease of the BMW car.

Both cars were acquired before 6 April 2009, hence they are both expensive cars and follow the "old expensive car" rules.