Written evidence submitted by the Association of Taxation Technicians (ATT) (FB06)

Finance Bill 2024-25

Clause 24: Expenditure on plant or machinery for electric vehicle charging point

Executive Summary

Clause 24 extends the first year allowance for expenditure on electric vehicle charging points by one year to April 2026. However, it is not clear why this specific allowance is needed, when other reliefs are available to allow such expenditure to be written off in full in the year it is incurred.

It should be possible to show how many businesses claim this first year allowance based on tax return data. If numbers are not significant, it would appear to be a sensible simplification measure to let it lapse in April 2025, as originally intended.

1. **Background**

   1.1. Clause 24 extends the first year allowance in s45EA of the Capital Allowance Act (CAA) 2001 by one year.

   1.2. Under s45EA CAA 2001, businesses can write off the full cost of expenditure on plant or machinery for an electric vehicle charging point for tax purposes in the year of acquisition. This 'First Year Allowance' (FYA) was due to expire on 31 March (for corporation tax purposes) / 5 April (for income tax purposes) 2025. Clause 24 extends that expiry date to 31 March / 5 April 2026.

2. **Necessity of standalone first-year allowance for charging points**

   2.1. FYAs, such as that in s45EA CAA 2001, are generally introduced to incentivise businesses to invest in specific technology or assets by giving tax relief faster than would otherwise be the case.

   2.2. For example, s45D CAA 2001 provides for a specific FYA for expenditure on zero-emissions cars. This is a helpful measure, as cars are excluded from the scope of other reliefs such as the Annual Investment Allowance (AIA) and Full Expensing (FE). In the absence of the AIA and FE, businesses investing in cars can only receive tax relief slowly over time, through an annual writing down allowance of 18% or 6% (depending on the car's level of emissions). The FYA in s45D CAA 2001 therefore provides a clear tax incentive to invest in a zero emissions car over a more traditional petrol or diesel car.

   2.3. By contrast, expenditure on electric vehicle charging points is not excluded from the scope of either the AIA or FE. The majority of businesses would therefore be able to claim full relief for expenditure on charging points even without the existence of the specific FYA in s45EA CAA 2001. The only circumstance where a business would not be able to claim full relief without this FYA would be an unincorporated business (e.g. partnership or sole trader) which has already used its £1 million AIA in full. This seems to us to be unlikely to be very common.

2.4. Extending an FYA that appears to be of limited practical use appears to go against the Government's wider simplification objectives for the tax system.

2.5. It should be possible to identify how many businesses claim the specific FYA in s45EA CAA 2001 as it needs to be reported separately on the return. For companies, a claim under s45EA has to be reported in box 713 of the CT600. For unincorporated businesses, claims need to be reported in box 54 of the SA103F.

2.6. Unless it can be demonstrated that a significant number of businesses claim relief under s45EA CAA 2001, consideration should be given to allowing the relief to expire in 2025 as originally intended.

Association of Taxation Technicians
7 January 2025

Note:

The Association of Taxation Technicians

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Our members are qualified by examination and practical experience. They commit to the highest standards of professional conduct and ensure that their tax knowledge is constantly kept up to date. Members may be found in private practice, commerce and industry, government and academia.

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