BPF

POTENTIAL REFORMS TO THE UK'S CAPITAL ALLOWANCES REGIME

CONSULTATION RESPONSE

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INTRODUCTION

The British Property Federation (BPF) represents the real estate sector – an industry which contributed more than £107bn to the economy in 2020 and supported 2.3 million jobs. We promote the interests of those with a stake in the UK built environment, and our membership comprises a broad range of owners, managers and developers of real estate as well as those who support them. Their investments help drive the UK's economic success; provide essential infrastructure and create great places where people can live, work and relax.

We welcome the publication by the government of its policy paper "Potential Reforms to UK's Capital Allowance Regime" in May 2022 (the Policy Paper) and the invitation to submit views on how capital allowances can best support business investment in the UK.

Our comments on the matters discussed in the Policy Paper are made from the perspective of those who invest in the UK's built environment - whether residential, offices, warehouses, shops and other commercial buildings or public buildings (such as schools and hospitals - who generally access capital allowances when computing the profits of a property business.

For reasons we set out in this submission, we are not convinced that the possible reforms listed at the Spring Statement would be effective in incentivising new investment by property investors. Instead, we ask the government to consider the bold step of introducing a repayable tax credit for particular types of investment (as an alternative to the "standard" relief by way of revenue expense) - which we expand on below.

Our comments on the Spring Statement reform proposals follow in Appendix 1. Finally, in Appendix 2, we set out some specific changes to the existing rules that our members consider are needed in any event to better supporting business investment in the built environment.

Executive summary

For real estate investors, the availability of capital allowances is important, but does not usually have a material impact on investment decision making under the current system, given both the amount of relief available and the way it is given,

To move the dial on this - and so better support new investment by such investors - something radical is needed so that tax incentives play a larger role in investment decisions. Not only would that suggest accelerating the effective rate for relief (through using a FYA or additional FYA) but also rethinking how that relief is given, recognising that a "tax expense" is of no value to businesses – such as property developers - with a low level of initial profitability. We therefore ask the government to introduce an alternative form of relief for capital expenditure "above the line", using a repayable tax credit system (as applies to R&D costs).

Such a system would have an Exchequer cost (although ultimately this should be one of timing only). However, as we set out in our response, we recommend this new type of relief be targeted at expenditure that relates to broader policy objectives of the government, principally around achieving Net Zero. With the UK's built environment representing a significant proportion of the UK's greenhouse emissions, the targeting of this new relief to "green" spend means that the government is not only supporting business investment, but also investment that is essential if the UK is to achieve its Climate Change target.

Capital investment in towns and cities

The property industry and capital investment

The property industry is an important source of capital investment in the economy; most obviously by funding, developing and managing both commercial and residential space in all of our towns and cities. The industry's capital investment in 2020 was around £62bn, supporting 374,000 jobs and generating economic output of £25.6bn – about a quarter of the industry's total economic contribution of £107bn.

This investment is critical in maintaining the commercial space that is the infrastructure that so many businesses depend on. Investment in property and the built environment also has a vital role in enabling the UK to meet its commitment to carbon net zero by 2050 through reducing (and, where possible, eliminating) carbon emissions from UK property. The UK's built environment is responsible for around 30% of all greenhouse gas emissions in the UK: the significance of its environmental impact is highlighted in the government's Heat and Building Strategy. As the government has acknowledged, attaining its climate goals will involve large-scale transformation and wide-ranging change to energy systems and markets. This requires significant investment, including in new types of building/building techniques and new technologies - as well as learning how to use new technologies to retro-fit and improve the energy efficiency of existing buildings.

Recognising the role the UK real estate sector has to play if the UK is to meet its net zero obligations, the BPF recently launched its Net Zero Pledge. Members that sign the Pledge commit to being net zero carbon across their businesses and assets by 2050 at the latest as well as to supporting the sector in achieving net zero (including through sharing research and knowledge on an open-source basis with the intention of "speeding up" the pace of change across the sector.

Existing Capital Allowances system

Generally, the capital allowances system is well understood by our members, particularly as the basic system has been in place for a long time. However there is complexity within the system. Some of this complexity comes from the different types of allowances available and the need therefore to classify expenditure by reference to the specific categories set out in the legislation (where the categorisation of an item can have a material effect on the quantum of relief available each year). This means that capital allowance consultants often need to be engaged to assess the potential claims available in relation to a completed building, adding to an investor's overall professional costs.

Further complexity in the system comes from frequent changes to rates and allowances (including changes in the level of the annual investment allowance), both generally and also where a "special" allowance/rate is introduced to encourage particular taxpayer behaviour. This can make modelling the effect of allowances over a project's life challenging, and increases the compliance burden for businesses given the need to monitor and record specific items of expenditure on an ongoing basis outside the standard pools.

We set out in Appendix 2 some specific changes to the existing CA system intended to provide clarity and/or simplify existing rules.

Investment decision-making in the property industry

A wide range of allowances is potentially available to provide relief for investment in real estate, both for owners and tenants. Since 2018, certain buildings attract structure and buildings allowances (SBAs). Plant and machinery allowances (PMAs) are likely to be available for equipment installed within a building, whether as an integral feature or as "loose" plant. Until 2020, enhanced capital allowances (ECAs) were also available for certain energy-saving plant and machinery.

The "mix" of allowances available for a particular project (and therefore the effective rate of relief) depends on the type of building being acquired - given the differing fit out needs of (for example) a warehouse as compared to an office. As a result, capital allowance consultants are often engaged by investors to advise on the possible claims available by reference to the final specification of the building (taking account of the boundaries that exist between different types of asset/spend that determine the type/amount of allowance available).

However, notwithstanding the range of allowances that are available, unless the impact of capital allowances is exceptional (for example, as was the case with enterprise zone allowances in the past, and more recently the super-deduction), we understand that in practice their impact on investment decisions is relatively marginal, with commercial factors (as expected) featuring much more strongly. In particular, we understand from our members that property investment project assessments are generally made 'above the line,' i.e. without detailed modelling of the tax impact of such investments and therefore without much considerations of capital allowances. In part this links to the extended timeline over which relief is available (particularly in relation to SBAs and special rate assets).

Further, for certain groups of real estate investors (such as REITs and other direct institutional investors that are exempt from UK corporation tax), the current system of capital allowances would not in any event incentivise investment as, by definition, there are no taxable profits against which an allowance can be offset. For REITs, allowances still need to be taken into account when determining property rental business profits (and so impact on the 90% PID requirement). Although the allowances do not provide a tax benefit as such for the REIT, they do effectively provide some "credit" for capital expenditure within the PID calculation (noting that a REIT has no ability to manage the timing of recognition of allowances given s599(8) CTA 2010).

Additionally, although the new SBAs are welcomed by our members, the rate at which they are given and the clawback mechanism (under which capital gains base cost is adjusted on a disposal) mean that they are not generally perceived as providing an incentive to investment.

Finally, it is worth noting that property investors generally plan for material capital investment over the medium to long term, although timelines for specific investment works will vary by reference to the nature of the investment being contemplated. For example, where a commercial building is being built to be let out to tenants, there is the time it takes to get planning permission, followed by the initial build and lease-up and then, as tenants vacate, there may be a need for refurbishment which could involve small-scale repairs or more substantive refurbishment works (with lead in times for each capital project ranging from six months to say 5 years or more). Then, at some point the building will reach the end of its useful economic life, at which point a rebuild or substantial renovation may be necessary. The lead-in times for these different types of works therefore depend on their scale and nature, but obviously where a significant new capital project is planned (for example, a major housing development or commercial area), the lead in time can be several years given the various stages involved in site acquisition, planning and construction. This emphasises the importance of certainty within the tax system and the need to introduce measures that are clearly seen to be "here to stay".

In this context, we expect that the impact of the super-deduction on investment planning by property businesses is likely to have been limited. In particular, the relief was time-barred (for expenditure incurred by 31 March 2023) and lead-in times for investment means it seems unlikely to have incentivised new investment - particularly given property businesses were only brought within scope over two months after it was originally announced. It also emphasises the need for the government to be clear as to the intended longevity of any new measures to reassure investors that any new reliefs will be available when plans made today are actioned.

Accelerating property investment to support levelling up and net zero

As referenced above, within the real estate sector, the possible availability of capital allowances under current rules, after completion of a capital investment, is a material factor in planning for that capital investment. We do not consider that the measures set out in the Policy Paper would be likely to change this (we comment on the specific proposals in detail in Appendix 1).

To incentivise new investment, a more radical change to the current rules is needed - a change that would ensure that capital allowances are factored into investment appraisals by management and so have the ability to influence and incentivise new investment. Taking account of Exchequer constraints, we recommend that this change could be directly linked to expenditure that relates to more policy initiatives (particularly in relation to environment and sustainability matters and/or the regeneration of urban town centres).

We would therefore suggest that the government consider a more targeted relief for capital expenditure on items such as:

(a) projects to incentivise replacement of environmentally inefficient plant and machinery e.g., heating, and cooling systems in existing buildings;
(b) encouraging retrofitting or repurposing of existing buildings; and
(c) projects that regenerate the high street (for example, full expensing of shop fit-outs which could be easy to identify).

Expenditure within (a) and (b) will be necessary if the UK is to achieve its climate goals. In particular, retrofitting existing buildings is essential to improving the energy efficiency of the UK's property stock and is a significant endeavour likely to take decades to action. As we set out in recent Budget submissions in both 2021 and 2022, we believe that capital allowances could play a much more impactful role and provide taxpayers with tax relief for qualifying expenditure much more quickly when that expenditure is incurred on sustainability improvements (noting that under current rules many of the common retrofitting works will fall within the (lower WDA rate) special rate pool).

One option would be to increase the rate at which relief for such expenditure is given, adopting one or more of the approaches set out in the Policy Paper - a FYA or an additional FYA would be most appropriate in our view. But an increased rate of allowance would be of no benefit to an investor that is not, at the time it incurs the expenditure, realising sufficient profits against which to set off the relief (as can be common in real estate investment businesses).

The government should therefore consider an alternative means of providing relief for qualifying expenditure on such items, borrowing from the approach taken for R&D credits. We suggest that the government consider introducing a FYA (or an additional FYA) for such expenditure, coupled with the option, should a taxpayer not have sufficient profits against which to offset that FYA (including where this is because the taxpayer is exempt on the relevant profits - eg a REIT), to claim a (slightly reduced) allowance by way of cash payment - a tax credit. This way the allowance becomes "above the line" and so would be taken into account in project appraisals (in contrast to the position under the current system of allowances) as it reduces the short term cash cost of the project. Any balance remaining after the FYA - whether provided by way of "expense" or tax credit - would continue to be written down in the normal way, with perhaps a new pool established for such "green" items to reflect their different treatment in the first year. In calculating that balance, we would anticipate a deduction in total spend of an amount equal to the grossed-up value of the tax credit.

We would also suggest that an allowance/credit system should operate so that it can be claimed in advance of the plant/machinery being brought into use for the purposes of a qualifying activity (the property business) commencing provided that there is a clear and demonstrable intention to carry on such activity. This would bring forward the time at which relief is given, ensuring the incentive can be provided close to the time at which the expenditure is incurred (rather than, under the current rules, deferred until the activity - the letting of property - commences).

For a REIT, the effect of opting for a tax credit would effectively be an increase in its taxable profits (as no allowances would be available to be claimed for that amount). This would result in an increased PID requirement for that year as compared to the position under current rules - and so the tax credit would in effect be reflected in higher taxable income for REIT shareholders.

In addition to changes to PMAs to encourage expenditure on environmental enhancements, we also recommend that the government look to amend the current rules for SBAs to provide an equivalent incentive for "green" expenditure on new properties. For example, this could mean a higher rate of SBAs where the building achieves a high rating in building assessment methods such as BREEAM or LEED rating. Refurbishment works could similarly be rewarded where they achieve a specified minimum increase in EPC/DEC or equivalent ratings.

We suggest using building assessments methods (such as BREEAM or LEED) because they take an integrated approach to the building, looking not only at the energy/carbon footprint of that building but also for example its material make-up, water consumption, waste profile and social impact. We consider that this is a better method than looking at the efficiency of lone component parts or EPC ratings which profile energy/carbon only.

Further, to manage the initial Exchequer outlay resulting from introducing a tax credit, the government could choose to link higher allowances to the highest rating tiers within such assessment methods, so as to incentivise expenditure on the latest (and best) technology available (noting that the top two ratings in BREEAM - 'Outstanding' and 'Excellent' are not easy to achieve).

In addition, the government could consider further changes to the current system to reduce allowances available to expenditure that funds carbon-intensive activities (this could include removing SBAs from being available for the costs of demolition of buildings).

APPENDIX 1 – COMMENTS ON SPRING STATEMENT PROPOSALS

The Policy Paper sets out various specific proposals for possible changes to the capital allowances regime (the estimated costings of each having been published at Spring Statement). We comment on each below - noting, as set out above, that to impact on investment decisions and/or to incentivise particular behaviour, any new measure would need to be significant, and that businesses would need assurance that the measure was permanent (and so would be available as and when decisions were implemented).

First, by way of general comments:

(a) The proposals generally involve a change in the rate at which allowances are given, rather than any substantive change to the system (full expensing excepted - although that too in effect represents an acceleration of relief to 100% in year one). As a result, save to the extent the allowances encourage investment that would not otherwise take place, the cost to the Exchequer of the "tax benefit" of the change should, we assume, be one of timing only as relief would have been given in any event (over a longer timeline). We note that the government stated policy objective is to encourage new investment given the economic benefits that should flow from that, and so on this basis, assume that the tax consequences of that new investment under the capital allowance rules should not be seen as a "cost". Therefore we suggest that the key metric in looking at any reform proposal should be whether it would be effective in encouraging new investment. In our view, any change would need to be material to be so effective.

(b) Although the proposals appear to apply to all taxpayers equally, we note that certain proposals favour particular types of taxpayer. In particular, an increase in the AIA favours smaller businesses; the other changes would in practice only advantage larger enterprises with investment over the AIA amount. Although the Policy Paper makes no reference to the government's objective in relation to the type of businesses it wishes to better support, this too should be taken into account in assessing preferred option(s).

(c) The proposals do not discriminate between particular types of investment within the relevant categories. To the extent the government wanted changes to the capital allowances to have a specific behavioural effect (by encouraging a specific type of investment (rather than investment generally)), consideration should need to be given as to appropriate ways of targeting the measures. For example, there may be merit in using capital allowances to incentivise investment in 'green' technology given the government's net zero targets.

(d) Finally, capital allowances are part of an increasingly complex corporation tax framework. A change in the rate and/or how relief is given could have unintended consequences on other parts of the tax code (which could offset any tax benefit the 'new' allowances provide) - an example here would be the carry forward loss restriction which could have the effect of deferring relief if the effect of claiming an allowance is the realisation of a loss. It is therefore important that the non-capital allowance consequences of any changes are also borne in mind in assessing the merits of the various proposals.

Our comments on each of the the specific measures set out in the Policy Paper are as follows:

INCREASING THE PERMANENT LEVEL OF THE AIA

We consider that a permanent increase to the AIA could be beneficial to investment though in general, as noted above, such a measure would be principally of benefit to small and medium sized businesses. The effect of such a change should allow more businesses to (in effect) fully expense their qualifying capital expenditure and would additionally reduce the compliance burden for those businesses (in its 2018 report on Simplifying tax relief for tangible fixed assets, the Office of Tax Simplification (OTS) noted that at its then level of £200,000, the AIA meant that around 80% of the UK's company taxpayers did not have to calculate capital allowances once they had identified an asset as AIA qualifying - and we would expect a higher percentage of businesses would benefit if the level increased to £500,000). In this way, the measure would help achieve tax simplification for such businesses.

Here we recommend that if the government decides that this is its preferred option, it revisits the suggestion made by the OTS in its 2018 report that the classes of asset eligible for AIAs be revisited to provide further simplification for such businesses.

For larger businesses, our view is that a permanent increase to the AIA to say £500,000 is unlikely to have a material effect on levels of business investment. Whilst obtaining 100% allowances on a higher amount would be welcome, we would expect the amount of expenditure eligible for the (increased) AIA to form a small part of such businesses' annual investment. As a result, the effect of increased AIA relief would be marginal. That being said, larger businesses would benefit from a stable and certain AIA in compliance terms - in particular, there would be no longer any need for the apportionment calculations (as there would be no changes in the level of AIA in an accounting period).

Generally, we suggest that, if such a measure were to be introduced, the government should announce an intention not to reduce the AIA below the new level for a specified period, to provide certainty for businesses.

We cannot comment on whether this measure would meet the government's stated objective of better supporting business investment as this is dependent on the type (and size) of business the government is seeking to encourage to invest in the UK with these reforms.

INCREASING THE RATES OF WDAS

The proposal set out in the Policy Paper is to increase WDAs to say 20% (general pool) and 8% (special rate). We note that WDAs were previously at this level for the general pool between 2008 and 2012 (when corporation tax was charged at between 28% and 24%) and for the special rate pool between 2012 and 2019 (when corporation tax was charged between 24% and 19%). The reduction of WDAs in 2012 and 2019 respectively followed on from a reduction in the rate of corporation tax.

Corporation tax is intended to be increased to 25% with effect from March 2023. As a result, we consider that an increase to WDAs to the rates listed in the Policy Paper is unlikely to have a significant effect on investment - rather it would simply seem to maintain the historic ratio of WDAs to tax rate as the increase to corporation tax takes place. In addition, for larger businesses, the effect of recent measures (such as CILR and CIR) on computing taxable profits means that it is unlikely that the historic ratio would be maintained in any event. Again, we do not consider that this proposal, by itself, would meet the government's stated objective of "best supporting business investment".

Further, we note that an adjustment to WDAs would apply equally to past expenditure (represented in a pool already) as well as new expenditure, which means part of the "new" funding available for the reform would effectively reward old investment. Although generally helpful to business, this would limit its effectiveness in promoting new investment.

However if this measure were introduced, it would benefit all businesses that have capital expenditure in excess of the AIA and so would be fairer (i.e. its not advantaging one size of business over others, particularly as a large number of businesses would still benefit from the AIA).

INTRODUCING GENERAL FIRST-YEAR ALLOWANCES (FYAS) FOR QUALIFYING EXPENDITURE ON PLANT AND MACHINERY

The proposal set out in the Policy Paper combines an initial FYA coupled with WDAs for the remaining balance of expenditure (applying "normal" pool rules). The Green Book published at Spring Statement 2022 acknowledges that this may add a "layer of complexity": we consider that this proposal would indeed add complexity without necessarily producing an incentive to new investment given the initial increase in tax relief proposed (a doubling of relief in the first year) may not be seen as material by many businesses as some capital expenditure would benefit from the AIA in any event.

In this context, we note the 2018 OTS report included data from HMRC as which showed that, for plant and machinery allowances, only 30,000 businesses exceeded the then £200,000 AIA amount. If the AIA reverts to £200,000, this number is likely to have increased (given inflation) but nevertheless indicates that new FYAs would in practice only be relevant to a minority of corporate taxpayers - with smaller businesses facing significantly greater complexity if expenditure in a given accounting period exceeded this lower AIA threshold, even by a small margin.

Further, our main concern with this measure is that a FYA is only of value where a business has sufficient profits to get the benefit of the FYA. Although this is more of an issue for the additional FYA proposal, nevertheless this could limit the attractiveness (and incentive) of a new FYA for real estate businesses, depending where they are in the business/investment cycle (and hence profitability) at the time they incur the capital expenditure.

INTRODUCING AN ADDITIONAL FYA

Providing (using the example in the Policy Paper) relief for 120% of qualifying capital expenditure would evidence the government's commitment to supporting business investment and so has the potential to act as an incentive given the message it provides to business.

It would be important for the government to set out its intentions relating to the longevity of any such measure: if only available for a short period (as was the case for the super-deduction), there would be a risk that it would result in simply leading to existing investment plans being brought forward, rather than encouraging continued investment over the medium to long term given lead-in times for investment decisions. Business decision-making generally benefits from stability and certainty within the tax system.

Again, businesses will only be able to benefit from an additional FYA if they have sufficient profits. Commercial real estate investment often involves individual properties being held in single purpose companies - with those companies unlikely to be making material profits in the early years of letting out given the significant capital expenditure incurred in advance of commencing that business (whether on construction, acquisition or refurbishment of a building). For such companies, a FYA may not therefore be of material benefit as f the FYA is claimed in the 'first year', any resultant loss is likely to be restricted under CILR, and so the intended timing benefit of accelerating relief (as provided by the FYA) would be significantly reduced.

A possible solution to this issue could be to provide for a separate FYA pool, so that the allowance referable to the 'first year' can be (in effect) disclaimed, with the consequence that it is available (in the FYA pool) to the relevant taxpayer in any subsequent accounting period at the taxpayer's discretion (rather than being 'lost' if not taken in that first year). This would mean that taxpayers have an additional pool to manage as part of its compliance - although we note the OTS data from 2018 that suggests that the number of companies affected should be low (and as those would be larger businesses should have the compliance capability to manage this). Further, if this measure were combined with an increased AIA it should be possible to exclude smaller businesses from any additional administrative burden.

In addition, given the role of REITs within the commercial real estate sector, we would recommend that any optionality provided in relation to a FYA (whether through a new pool or otherwise) is made available to REITs as well by excluding such allowances from the application of s599(8) CTA 2010. This would mean that a REIT could benefit from this relief whilst being able to manage the impact of this new super-deduction on its taxable profits (and PID requirement).

INTRODUCING PERMANENT FULL EXPENSING

As with FYAs, for this measure to be effective in encouraging investment, a taxpayer would need to be generating sufficient profits to be able to benefit from the relief in the period in which the expenditure is incurred (as otherwise the taxpayer would recognise a tax loss which would be carried forward, and subject to restriction under CILR). As referenced above, many property businesses have low profits in the first few years and so may not therefore be able to benefit from full expensing and so we do not consider that would be effective in incentivising investment by property investors.

Further, the Policy Paper refers to the need to consider carefully the design of this measure "to prevent abuse". We recognise and understand the concerns of government here, but this suggests that the legislation enacting this measure would either be complex (i.e. setting out a series of detailed and prescriptive conditions that need to be met to access full expensing) or subject to a general, subjective anti-avoidance provision (with the interpretation difficulties that ensue). We consider that this would limit the benefits of the measure: taxpayers would need to ensure (with professional advice) that they met the conditions - adding administrative burden and expense - given that, even with the best HMRC guidance, a risk of uncertainty would remain.

APPENDIX 2 – SPECIFIC CHANGES TO EXISTING CAPITAL ALLOWANCES RULES

Our members have identified the following specific areas where clarification and/or amendment of the existing capital allowance rules would be welcome:

ENTITLEMENT TO ALLOWANCES WHERE PROPERTY BUSINESS CARRIED ON BY AN OFFSHORE UNIT TRUST SCHEME (SUCH AS A JPUT)

For UK tax purposes, a JPUT would generally be tax transparent for income but (save for chargeable gains purposes where a transparency election has been made under Schedule 5AAA Taxation of Chargeable Gains Act 1992) opaque and so regarded as a separate entity for capital purposes. As a result, there is a lack of clarity as to how the existing rules apply to capital expenditure of the JPUT (a separate person) given that the tax relief for that capital expenditure is given by offset against taxable income (which is income of the investor unit-holders and not the JPUT). A further complication arises where there is a change in unitholders.

As JPUTs are commonly used as a vehicle for co-ownership of UK commercial property, amending the capital allowance legislation to provide specifically for how the rules apply to such entities (including on changes to the investor mix) as is the case for partnerships - would be welcome.

FIT OUT WORKS AND CONTRIBUTION ALLOWANCES

Agreements for fitting out properties can involve the property owner contributing to fit out works to be undertaken by an occupier (Cat B works) or may involve the property owner paying the occupier for undertaking works that the property owner would otherwise do itself to prepare the asset to be let (Cat A works). We understand from members that, in the former case, there is a lack of awareness among occupiers (particular smaller businesses) as to the availability of contributions allowance such that (some) qualifying expenditure ends up being unrelieved as the property owner is unable to evidence the qualifying assets on which the contribution has been spent.

We would suggest that guidance (in CAM14000) is amended to highlight the availability of contribution allowances, with examples around "usual" fit-out scenarios, to try to raise awareness of this relief. (For completeness, the categorisation of fit-out works can raise issues across a number of taxes, including VAT, and it would be helpful if there was more clarity provided by HMRC on this issue generally).

Further, where contributions allowances are claimed, then the rules that require a separate pool (a single asset pool) for such allowances can complicate the position on sales as such allowances are not within s198 CAA 2001 (under which the parties to jointly elect the amount of any disposal value of fixtures). A simpler system would be welcome.

CLAIM PERIODS FOR WDAS/SMALL POOLS ALLOWANCE

The rate of WDAs applicable to each type of asset pool effectively determines the claim period for that allowance (i.e. the period over which full relief is given), impacting compliance. For special rate assets, a £1m investment would be relieved over 113 years (36 years for general pool assets), taking into account the small pools allowance, where relief can be obtained in full (rather than by WDA) when the balance of the pool is £1000 or less. The small pools allowance is set at £1,000 (unchanged from 2008): we suggest consideration is given to increasing this to say £10,000 so as to simplify compliance for businesses. Increasing the small pools allowance should reduce the period over which a £1m investment is relieved by one-third (so 37 years for special rate assets and 11 years for general pool assets).