The essential guide

to optimising your

Capital Allowances claim



LEYTON

2026/27 Edition



/ Welcome to the essential guide to optimising your Capital Allowances claim

Is your business looking to grow?

You might be surprised to learn that Capital Allowances were created to support exactly that. By reducing taxable profits, they can bring down the cost of investing in your business and free up cash for future growth. But, we know from experience, the rules on what you can claim confuse and intimidate many businesses, as there are several types of allowances available, each having different applications and rates of tax relief. Without the right guidance, you risk missing out on substantial savings, or submitting a claim that fails to stand up to scrutiny from HMRC.

All this means that Capital Allowances shouldn't just be something for your accountant to take care of alone. Instead, you should proactively plan to maximise the savings available to you as part of your wider business investment and growth strategy. When you clearly understand the relief available before making a major investment, you can make better decisions about how to maximise that spend.

That's why we've written this guide: to give your business a solid understanding of how you can optimise your Capital Allowances claim. You'll find a clear overview of the types of allowances available, along with advice on how to prepare for making the most of your claim.

We hope you find it helpful.

RYAN WATSON
Head of Capital Allowances

What are Capital Allowances?

Capital Allowances are a tax-deductible expense available if you or your business is subject to UK tax. You can claim Capital Allowances on qualifying capital expenditure, such as plant and machinery and commercial property (including purchases, fit-out and refurbishment works and new construction projects). There are many benefits to claiming. Capital Allowances reduce your taxable profits, lowering the amount of tax you have to pay.

This frees up your cash flow to reinvest in your business, including new assets that support innovation and even more growth.

The main types of Capital Allowances are:

/ Plant and machinery allowances (PMA)

Plant and machinery allowances (PMA) provide tax relief when your business invests in qualifying fixed assets. These can be anything from office equipment and tools to business vehicles and heavy machinery. Relief is available through 100% first-year allowances (FYA), the annual investment allowance (AIA), and writing down allowances (Main Pool reducing to 12% from April 2027).



/ Structures and buildings allowances (SBA)

Structures and buildings allowances (SBA) can help reduce the cost of investing in your business premises, including if you've designed, constructed, acquired, or renovated non-residential buildings and structures.



/ Research and development allowances (RDA)

Research and development allowances (RDA) offer a 100% first-year tax deduction against your annual profits for qualifying capital expenditure on R&D.

They can provide immediate savings and improve cash flow, giving you more to reinvest in your business's future innovation.

Read **Our Guide to Capital Allowances** to find out more.



Capital Allowances at a glance

The table below gives you a brief introduction to some of the main types of allowances.

Allowance type	Rate	What it covers
Annual investment allowance (AIA)	100%, up to £1m per year	Most plant and machinery assets (except cars), including special rate items*
Full expensing	100%	New and unused main pool plant and machinery (most standard equipment and machinery, except cars)
50% special rate First year allowance (FYA)	50% (first year)	New special rate assets*
50% First year allowance (FYA)	50% (first year)	New and unused main pool plant and machinery (most standard equipment and machinery, except cars) including assets for the use of leasing and by unincorporated businesses
Main pool writing down allowance (WDA)	18% up to March 2026 / 14% from April 2026 to March 2027 / 12% from April 2027	Plant and machinery (excluding special rate items) not covered by AIA or full expensing
Special rate pool writing down allowance (WDA)	6%	Special rate plant and machinery such as integral features and long-life assets, not covered by AIA or the 50% first year allowance*

Structures and buildings allowance (SBA)	3% per year over 33.3 years	Design, site preparation, construction works, renovation, repair and conversion costs, fitting out works of non-residential structures and buildings
Research and development allowances (RDA)	100%	Facilities or assets used by employees undertaking R&D

**You can claim the main rate on all plant and machinery, unless the assets are within the special rate pool or a single asset pool (e.g., because you're treating them as short life assets or you've used them for non-business purposes).*

Examples of items in the special rate pool:

- *parts of a building considered integral, known as 'integral features' (e.g., HVAC, lifts & escalators, lighting, etc)*
- *items with a long life*
- *solar panels*
- *thermal insulation you've added to a building*
- *cars with CO2 emissions over a certain threshold*

Why claim Capital Allowances?

Capital Allowances can significantly reduce the amount of tax you pay on qualifying capital expenditure. The simplest way to see their value is to compare your potential tax bill with and without a claim.

Take £1 million of qualifying spend at a 25% Corporation Tax rate:

	Without Capital Allowances	With Capital Allowances
Profit before tax	£1,000,000	£1,000,000
Capital Allowances	£0	£1,000,000
Taxable profit	£1,000,000	£0
Tax payable at 25%	£250,000	£0

For every £1 million of expenditure that qualifies, your business could receive a potential £250,000 tax benefit at a 25% Corporation Tax (CT) rate.

How much tax relief you can receive in the first year depends on the type of allowance available. Here's what £1 million of qualifying spend could look like :

Allowance type	Rate	First-year deduction on £1m	Potential tax saving at 25% CT
AIA / Full expensing / RDA	100%	£1,000,000	£250,000
50% First Year Allowance	50%	£500,000	£125,000
Main pool WDA (from April 2026)	14%	£140,000	£35,000
Main pool WDA (from April 2027)	12%	£120,000	£30,000
Special Rate Pool WDA	6%	£60,000	£15,000
Structures and Buildings Allowances	3%	£30,000	£7,500

These example figures are purely illustrative. The allowance available depends on your specific project spend and circumstances. Where relief is given over time, the remaining qualifying expenditure can continue to receive tax relief in later years.

FAQ

What if your business is loss-making; can you still benefit from Capital Allowances?

If your business makes a loss in a period, Capital Allowances would increase the losses. However, you may be able to carry losses back to a previous profitable period and receive a tax refund. You can also defer capital allowance claims, in whole or in part, to a future period or utilise group relief if available.



/ Preparing for a Capital Allowances claim

When to check if you can claim

Our advice is always to start preparing for a Capital Allowances claim as soon as practicably possible, ideally before your project even starts. Planning early helps you calculate the potential tax savings available so that you can build it into your budget and ensure the correct information is collated. It's a good time to check your eligibility if:

- you're planning to build or extend a commercial property
- you're refurbishing or fitting out your existing premises
- you've recently completed major building work
- you're buying a commercial building
- you own a portfolio of commercial properties
- you're returning to profit after a period of losses
- you need help with open tax returns or HMRC queries

FAQ

What if you incurred the capital expenditure a long time ago?

There is generally no time limit, so we can go back as far as you need to into previous accounting periods to find additional tax relief. If you still own the asset you are claiming for and use it in your business, you can introduce the claim in a future tax return, or amend a recent tax return if it's still open.

How to approach record keeping

Good records ensure that claims are correct, optimise the tax relief and help HMRC with any questions they may have. The information you need will depend on the type of expenditure. For example, a construction or fit-out claim may draw on project cost breakdowns and valuations, while a property purchase claim may need sale & purchase agreements and CPSEs.

HMRC guidance recommends that you keep records of all acquisitions and disposals, including:

- the name of the asset
- date of acquisition
- acquisition cost
- date of disposal
- disposal receipts or value on disposal

Record how you got the plant or machinery too, as this can also affect your qualifying expenditure. For example, make a note of whether you bought it, received it as a gift, or already had it in use for another purpose. If you use an asset for purposes beyond your qualifying activity, make sure to keep records that show the split between business use and other use. This helps you make fair and reasonable apportionments when you calculate the claimable amount.

FAQ

What if you have lost the invoices or other cost information for capital expenditure?

Our team are experts at construction cost engineering, and we're also skilled and highly experienced quantity surveyors. Using our knowledge and experience of quantification and pricing, we can value the relevant assets based on construction industry pricing standards to make sure that every qualifying item is correctly identified, evaluated and claimed for.

/ Why use a Capital Allowances specialist?

The UK has one of the most competitive Capital Allowances regimes in the world, but businesses all too often overlook the relief available or underclaim. Specialists make sure that you're claiming everything that you're entitled to, which can sometimes be worth millions of pounds in tax savings (see our case studies for examples).

Some specific benefits of using Capital Allowances specialists include:

We won't miss expenditure	In some cases, projects will produce a large number of invoices. From reviewing the paperwork alone, it might not be clear which costs are eligible for tax relief. Our surveyors will look at each cost individually. Should the information be unclear or incomplete, we'll investigate further to make sure that all qualifying expenditure is correctly identified and included within your claim.
We keep up with changing legislation	The rules for Capital Allowances change quite frequently, as the government responds to the challenges of the day and make adjustments to encourage businesses to invest more. Our specialists stay on top of such legislative changes, as well as related case law, to make sure that your claim is accurate and fully compliant with HMRC's strict rules.

Reducing the work for your team	We'll do all the hard work. Your team just needs to hand over whatever information they have about the project and the expenditure, and we'll build the claim from there, even dealing with your project's contractors directly if necessary. We'll do everything we can to take the administrative burden off your team so they can focus on their own work.
Support with HMRC enquiries	We'll provide you with full support in the event of an HMRC enquiry. We're happy to manage the whole process on your behalf, handling HMRC's questions and defending your claim until the matter reaches a resolution.
Working alongside your accountant	Our team will work alongside your accountant, not instead of them. In fact, many accountants outsource their work to us because they see the value in bringing in dedicated technical experts to support large and highly-technical claims.

FAQ

What if your business already uses an accountant for claiming Capital Allowances?

Your accountant will usually be familiar with basic plant and machinery allowances and may already make claims for things like IT kit and other regular business equipment. However, we specialise in Capital Allowances claims and have experience across construction, surveying, accounting and tax advisory. We can therefore help you maximise the tax relief available from more complex capital expenditure, such as building or large-scale commercial projects.

FAQ

Does Capital Allowances legislation really change that often?

Yes! In recent years, we've seen the introduction of the 130% super-deduction in 2021, its removal in 2023 and the introduction of full expensing, now confirmed as permanent. The changes keep coming: the 40% first-year allowance introduced in January 2026 rises to 50% from January 2027, and the main rate of Writing Down Allowances falls from 18% to 14% in April 2026, then to 12% in April 2027.

Not only do the rules change, the interpretation can shift as new case law emerges and the courts clarify how existing legislation should be applied in practice.



/ How Leyton can help

At Leyton, we're growth specialists. We help businesses access available government support schemes, whether that's innovation funding through R&D Tax Credits or tax savings on capital investment through Capital Allowances. For more than 29 years, we've helped our clients and partners with specialist expertise and a strong focus on compliance, so you can be confident that your claim is in safe hands.

Our Capital Allowances team brings together quantity surveyors, chartered accountants and tax professionals. Together, they have the expertise needed to uncover qualifying expenditure and make the most of the tax relief available, whether you're planning new construction, carrying out refurbishment or fit-out works, acquiring a building, or reviewing your historic spending.

We can support you throughout the full development lifecycle, helping to identify valuable Capital Allowances from the planning stage through construction and occupation, as well as on a subsequent sale or acquisition.

If you'd like to understand what you could claim, please do get in touch. We'd be happy to talk through your project.

Drop us a message or schedule a call

Leyton are great to work with, I had my accountant speak to them first to make sure it was not a waste of my time. My accountant really liked what they had to say and advised me to go with them. The service was so good that I have already recommended Leyton to some friends and people I work with.

Stuart Ramsey
Owner of Falsidehill Farm

Our process

Initial planning review	We start by learning about your investment or project, what you've spent and what information is available. From there, we can give you an early indication of the tax savings that may be available and explain what we'll need to prepare your claim.
Onsite survey	Where necessary, we carry out an onsite survey to accurately assess your assets and provide further context to the expenditure. This can help identify qualifying items that aren't easily visible within the available cost information. We can also collect supporting evidence, such as photographs, during the visit.
Detailed reporting	Our team prepares a line-by-line analysis of the relevant works and a supporting Capital Allowances technical and financial report, packaged for submission to HMRC alongside your tax computations.
Filing and post-filing support	We help with the information required to file your Capital Allowances claim. We'll also provide any extra information that's needed if HMRC has any questions after the filing. After the submission, we're happy to offer ongoing guidance on future claims, working alongside you to maximise the full value of your long-term capital expenditure.

/ Case studies

Pharmaceutical company | Factory extension and refurbishment



PROJECT SPEND: c.£10m +

TOTAL TAX RELIEF: c.£2.3m

After reviewing the client's tax computations and fixed asset register, our team identified large amounts of qualifying expenditure that their current advisors had pooled as non-qualifying.

The client was completing a new factory extension and refurbishment, including the creation of new production and packaging lines, associated storage space, infrastructure, and refurbishment of the existing laboratory.

We reviewed what had been classed as non-qualifying expenditure to make sure that the tax relief they were entitled to claim was fully optimised. We also carried out a property survey and then prepared a comprehensive line-by-line analysis of the expenditure, presented in a robust report suitable for submission to HMRC alongside the relevant tax computation.

Property investor | Hotels



PROJECT SPEND: c.£15m +

TOTAL TAX RELIEF: c.£3.5m +

We supported a leading property management and development company during their new development of an aparthotel, which was a new build property spanning multiple year ends.

We completed a detailed valuation report to identify allowances on development expenditure and ensure the Capital Allowances were being maximised.

Children's care homes | Historic portfolio review



PROJECT SPEND: c.£25m

TOTAL TAX RELIEF: c.£4.5m

After reviewing the client's tax computations and fixed asset register, we identified large amounts of qualifying expenditure that another consultancy had missed across their property portfolio. Our team carried out a full historic review for the client for multiple years of expenditure, ensuring the tax relief they were entitled to claim was being fully optimised.

Energy services provider | Historic expenditure review



PROJECT SPEND: c.£5.8m

TOTAL TAX RELIEF: c.£1m

Following a review of a large energy services provider's fixed asset register, we identified a number of qualifying projects for works at their port across various projects that another Capital Allowances consultant had missed.

Our team completed a report to identify allowances on the expenditure that hadn't already been analysed across two accounting periods.

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READY TO MAXIMISE YOUR POTENTIAL?

Book a free assessment with our team and take the first step towards business growth through financial efficiency.

Drop us a message or schedule a call

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