What you need to know about fixed assets and the Boox Accounting App

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What is a Fixed Asset?

Fixed assets are the pieces of equipment you buy to conduct your business. Unlike day-to-day expenses, they relate to items that you'll keep and use for at least a year.

Vehicles, computers and office furniture are fixed assets. So are items such as lawn mowers (for gardeners), ovens (for bakers), and so on.

HMRC refers to the money you spend on fixed assets as capital expenditure. This is distinct from the lesser day-to-day expenses such as fuel, stationery, phone calls etc. You'll need to separate fixed assets from running costs in your business accounts as they last longer than a year.

Fixed assets and your accounts

HMRC hasn't specified a price at which an item becomes a fixed asset. It varies from business to business depending on its circumstances. The general rule is that if you're going to use a purchase for business for over a year, it should appear on the balance sheet in your accounts. However, it would not be practicable to do this with small items such as a hole-punch, so you can decide a limit for your business. Depending on your individual circumstances, this is often between £250 and £500.

Naturally, your fixed assets reduce in retail value (depreciate in accounting terms), from one year to the next. This is reflected by a reduction in your business's taxable profits in your annual accounts. Your Boox App calculates this for you automatically.

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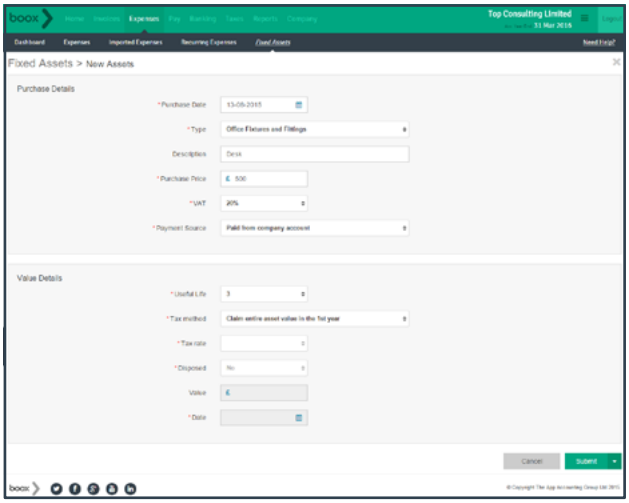
Fixed Assets and the Boox App

Firstly you're going to need to decide what value of asset you want to capitalise (e.g. £500). If you buy an items (for business use!) over this value, which is going to last over a year (e.g. a new computer) you'll then need to decide how long it will last for (its useful life).

Once you have recorded the asset on your Boox App, it will automatically make any adjustments necessary to your available profits and set aside the tax (details of what this means are to follow).

To records your asset within the app, you'll see a new Fixed Asset menu under the 'Expenses' header in the navigation. This will be the home for anything on your asset register.



To create an new asset, simply select the 'New Asset' button and complete the details of the purchase.

Choosing the useful life (how long it will last) of the asset will determine how long the asset will depreciate over. Therefore an asset with a purchase price of over £1000, and a useful life of 4 years, will depreciate £250 per year (starting from the current accounting year).

In most cases you will claim the entire value of the asset for tax purposes in the year of purchase. The main exception to this is motor vehicles where the tax method will generally be to use writing down allowances (more details to follow).

Fixed assets and your tax liability

Depreciation itself is not a tax-deductible expense. When your business tax computation is prepared you get a deduction for capital allowances instead.

The Annual Investment Allowance (AIA) allows businesses, sole traders and partners to deduct up to £500,000 (reducing to £250,000 on 1st January 2016) of capital expenditure from their pre-tax profits.

There are some exclusions:

- Cars - but not vans, lorries or motorbikes (see more below)
- Anything your business buys in its final accounting period before ceasing trading
- Anything the business inherits from another business or through a change in legal status such as a sole trader becoming a Limited Company – capital allowances will already have been claimed when the item was first bought
- Any personal assets, such as a microwave, you transfer to your business
- Anything your business acquires at no financial cost

Fixed assets and the environment

Some assets, particularly those that contribute to the country's CO2 emissions reduction targets, are exempt from the AIA threshold. This means you can claim the full 100 per cent first year allowance from your profits before calculating your tax, regardless of how much you spend on them.

When it comes to any cars your business buys, what you can claim depends on:

- their CO2 emissions ratings
- when you bought them

There are three types of capital allowance for cars:

- First year allowance – 100 per cent
- Main rate allowance – 18 per cent
- Special rate allowance – 8 per cent

Here's how they apply, but note that the amounts can change at each Budget:

Cars bought from April 2015

Description of Car	What you can claim
New and unused, CO2 emissions are 75g/km or less (or car is electric)	First year allowances
New and unused, CO2 emissions are between 75g/km and 130g/km	Main rate allowance
Second hand, CO2 emissions are 130g/km or less (or car is electric)	Main rate allowance
New or second hand, CO2 emissions are above 130g/km	Special rate allowance

Cars bought between April 2013 and April 2015

Description of Car	What you can claim
New and unused, CO2 emissions are 95g/km or less (or car is electric)	First year allowances
New and unused, CO2 emissions are between 95g/km and 130g/km	Main rate allowance
Second hand, CO2 emissions are 130g/km or less (or car is electric)	Main rate allowance
New or second hand, CO2 emissions are above 130g/km	Special rate allowance

Fixed assets and capital allowances can become an accounting minefield. To ensure you claim the relief you're entitled to without falling foul of complex tax legislation, get expert advice from your Boox accountant.