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Case Studies
15 October 2026
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AGENDA

- Example – Abacus Ltd
- Capital Allowances



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Example – Abacus Ltd

Initial Considerations

- Is there Income which is Exempt - *No*
- Are all expenses deductible – *No – Donations, depreciation and amortization added back*
- Are there any deductions allowed by article 14 – *Yes 14(1)(m) deduction & Capital allowances*
- We were told that during the year trading losses amounting to EUR1,943 have been surrendered by a group company.



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14(1)(m) Deduction

- 14(1)(m) – Asset costing EUR2,000 put into use/acquired YA 2026.
 - First deduction of a 3 year period of EUR667.
 - The company wants to opt of the accelerated amortization for the year.
 - Since after taking into consideration all add backs and deductions there is enough chargeable income left the accelerated amortization of EUR1,333 (2,000-667) can be taken as a deduction for the year.



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Capital Allowances

- **Computer software - YE2023 cost EUR1,500, tax WDV EUR750, YE2024 cost EUR1,029, tax WDV772**
 - *From info provided no computer software has a tax written down value of 0 so capital allowances of 25% of cost (over 4 year period) can be taken for the year. EUR863 ($\text{EUR}3,452 \times 25\%$)*
- **Furniture & Fittings - YE2021 cost EUR165, tax WDV EUR99**
 - *From info provided no furniture and fittings has a tax written down value of 0 so capital allowances of 10% of cost (over 10 year period) can be taken for the year. EUR17 ($\text{EUR}165 \times 10\%$)*
- **Computer an electronic equipment – YE2021 cost EUR1,628, tax WDV 0, YE 2022 Cost EUR844 WDV EUR211**
 - *From info provided computer an electronic equipment with a cost of EUR1,628 had no tax written down value the rest capital allowances of 25% of cost (over a 4 year period) can be taken as deduction for the year. EUR1,678 ($\text{EUR}6,170 \times 25\%$)*



Computation

Profit/loss before tax	58,644
Add Back	
• Amortisation & Depreciation	3,632
Donations	10,000
Deduct	
14(1)(m) deduction	(667)
14(1) (m) deduction accelerated amortisation	(1,333)
Profit before Capital Allowances	70,276
Capital Allowances absorbed	2,557
Income after Capital Allowances	67,719
Loss surrendered within the group	(1,943)
Chargeable Income for the year	65,776
Tax rate	35%
Tax due	23,022



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Capital Allowances

Capital Allowances

Example 1

Computer Hardware worth EUR15,000 acquired in 2023 Disposed in 2025 at EUR2,000 proceeds.

	EUR
YA2024 Capital allowances 25%	3,750
YA2025 Capital allowances 25%	3,750
YA2026 Year of disposal	–
Total W&T	7,500
 Total Proceeds	 2,000
Balancing Allowance $(15,000 - (7,500 + 2,000))$	5,500



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Capital Allowances

Example 2

Construction Equipment worth EUR25,000 acquired in 2023. Disposed in 2025 – Proceeds from sale EUR20,000

	EUR
YA2024 Capital allowances (6 years – 16.66%)	4,167
YA2025 Capital allowances 16.66%	4,167
YA2026 Year of disposal	–
Total W&T	8,334
 Total Proceeds	 20,000
Balancing Charge (25,000 – (8,334 + 20,000))	(3,334)



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Capital Allowances

Example 3

Construction Equipment worth EUR25,000 acquired in 2023 Disposed in 2025 – Proceeds from sale EUR30,000

	EUR
YA2024 Capital allowances (6 years – 16.66%)	4,167
YA2025 Capital allowances 16.66%	4,167
YA2026 Year of disposal	–
Total W&T	8,334
Total Proceeds	30,000
Balancing Charge (25,000 – (8,334 + 30,000))	(13,334)
<i>Balancing Charge limited to amount of W&T</i>	<i>8,334</i>



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Capital Allowances

Example 4

Non Commercial Motor Vehicle worth EUR32,000 acquired in 2024. Sold in 2025 - EUR20,000 proceeds

	EUR
YA2025 Capital allowances 20% (restricted to EUR14k)	2,800
YA2026 Year of disposal	–
Total W&T	2,800
Total Proceeds	20,000
Proceeds limited to EUR14k cost ($20/32 \times 14$)	8,750
Balancing Allowance (Cost - (Proceeds + W&T))	
Balancing Allowance ($14,000 - (8,750 + 2,800)$)	2,450



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Capital Allowances

Example 5

Computer Hardware worth EUR5,000 acquired in 2020 Disposed in 2022 - EUR2,900 proceeds

	EUR
YA2021 Capital allowances 25%	1,250
YA2022 Capital allowances 25%	1,250
YA2023 Year of disposal	–
Total W&T	2,500
Total Proceeds	2,900
Balancing Charge (5,000 – (2,500 + 2,900))	(400)



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Capital Allowances

Example 5 -continued

Replaced hardware in 2022 with new equipment costing EUR3,000. Disposed in YA2026 at EUR1,000

	EUR
Cost of new asset	3,000
- deduct balancing charge from	(400)
sale of old asset against cost of new asset	2,600
YA2023 Capital allowances 25% (2,600/4)	650
YA2024 Capital allowances 25%	650
YA2025 Capital allowances 25%	650
Total W&T (650+650+650)	1,950
Total Proceeds	1,000
Balancing Charge (2,600 – (1,950 + 1,000))	(350)



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